



After the Lavi debate yesterday. Left to right, Shoshana Arbeli-Almoshino, Yitzhak Peretz, Ezer Weizman, Shimon Peres and Moshe Shahal. (Tikiner/Media)

Lavi gets two-weeks reprieve

Cabinet defers decision

By ASHER WALLFISH
and AVI TEMKIN
Jerusalem Post Reporters

Prime Minister Shamir and Foreign Minister Peres acted together yesterday to defer the final cabinet vote on the Lavi by a fortnight.

After a six-hour debate, Shamir said the issue was so important that it was worth still trying to attain a significant cabinet consensus.

Defence Minister Rabin, the leading opponent of the project, said that, had a vote been taken yesterday, there would have been a majority to scrap the fighter plane. Rabin and Finance Minister Moshe Nissim had tabled a joint motion, the only one on the agenda, to dismantle the project forthwith.

Yesterday's decision could be a costly one. According to some calculations, the average daily costs of the project amount to some \$1.2m. At this rate, some \$15m. will be spent in two weeks.

Israel Aircraft Industries, the plane's producer, saw the cabinet's decision as a last-minute attempt to rescue the project. The reprieve offered by Shamir and Peres is expected to be used by IAI to show it can cut costs by \$100m. a year, or even by \$200m., as Shamir yesterday told the ministers.

The majority against the project appeared to increase significantly yesterday when two of the waverers, Absorption Minister Ya'acov Tsur and Minister-without-Portfolio Yitzhak Peretz

announced that they had decided to vote for the Rabin-Nissim motion. Another waverer, Minister-without-Portfolio Yitzhak Moda'i, appeared still to be sitting on the fence, with his call for a wide-ranging analysis of all the implications of the Rabin-Nissim motion.

After the Cabinet session, Nissim as well as Rabin voiced regret at the absence of a decision, which they said the public had been awaiting.

The Treasury made no effort to hide its anger and frustration at the cabinet's decision. In the Treasury's view, Shamir and Peres intervened at the last minute to save the project from certain defeat. The Treasury has already rejected all of IAI's proposals. Ministry officials said IAI's plans were not serious, and there was nothing that could change that fact in the next two weeks.

The most dramatic speech during the session came from Shamir, who said that Israel would not look like it does today had some of the projects debated in the past been defeated by the sort of argument aired against the Lavi.

He said the contentions of the Defence and Finance Ministries seemed simple enough, but it was always easier to halt a project than to launch it.

"If we halt the project, the public will regard it as a tragedy, a failure, a surrender," Shamir warned. "National morale is an essential element of security and the stopping of the project will

affect national morale."

Shamir conceded that the Reagan administration's expression of its view on the Lavi was legitimate and could not be regarded as pressure.

He said: "It's too early to put the pride of this country's industry into receivership. We have to keep on seeking solutions. Dismantling the project would be an error which we could never remedy. If we find no solutions, after an intensive study, that will be something else."

Rabin said the defence establishment had bowed to the need to succour the economy, and had cut its budget to the bone. But now the limit had been reached. Were funds available, he said, the ministry would not object to proceeding with the Lavi. But without funds, the IDF must have other priorities.

Peres said that the nation must be called upon to reduce its standard of living, so that the IDF could get the sophisticated weapons development projects it sought for the battlefields of the future. At the same time the Lavi must not be dropped, so that Israeli Aircraft Industries can maintain and enhance its remarkable technological achievements.

He said funds should be mobilized to increase the defence budget by \$150m., and one possible way of doing so would be to slash subsidies.

In the discussion, ministers made the following points: (Continued on back page)

'We have a factory which could produce mines like seeds'

Iran threatens to close off the Gulf area

Post Middle East Staff
and agencies

Teheran yesterday threatened to close off the land and sea routes used to export from the Persian Gulf region if Iraq continues to disrupt Iranian oil shipments with air strikes.

Parliamentary Speaker Akbar Hashemi Rafsanjani said Iran could produce mines "like seeds" and sow them in the Gulf to close the strategic waterway to shipping.

"We have a factory which could produce mines like seeds," Rafsanjani was quoted as saying by the Iranian news agency Irna. "If the world cares for security in the Persian Gulf, it should put an end to Iraq's mischievous acts."

"If an incident occurs in the Persian Gulf which halts [Iranian] oil exports from the region, oil will not be exported even through pipelines," Rafsanjani also warned.

In a surprise move, Iran's foreign minister said yesterday his country welcome a visit by UN Secretary-General Javier Perez de Cuellar to discuss security in the Gulf.

Iran has criticized the world body for failing to condemn Iraq as the aggressor in a July 20 cease-fire resolution adopted by the Security Council.

Foreign Minister Ali Akbar Velayati said Perez de Cuellar "has demonstrated good intentions towards peace in the region and has made positive proposals towards that end, including an eight-point plan for stabilizing the Gulf region."

Meanwhile, U.S. Sea Stallion minesweeping helicopters flew drills yesterday over the central Gulf after a secret, night-time arrival aboard the USS Guadalcanal eyewitnesses said.

Witnesses said the warship, ordered to the Gulf to help protect

the U.S. Navy escort of reflagged Kuwaiti tankers, slipped past Iranian Silkstorm missile sites and anchored 45 km. off Bahrain.

Shipping sources said the arrival of the Guadalcanal could signal the return voyage down the Gulf within the next 24 hours of a second convoy of U.S.-flagged tankers loaded with gas and oil and awaiting orders in Kuwait to sail.

In the Sea of Oman, just outside of the Gulf, local divers and patrol boats searched coastal waters for five men feared dead in a mine explosion that destroyed their small supply vessel, the Anita, on Saturday.

The busy anchorage off the United Arab Emirates port of Fujairah remained closed to boats yesterday following the discovery of mines in nearby waters. One shipping source said the area in the Sea of Oman, just

outside the Gulf, was "totally empty."

Two mines were detonated in the area yesterday by UAE mine-clearing crews.

Iran said yesterday it had itself begun minesweeping in the Gulf of Oman about 15 kilometres north of Fujairah with helicopters, sonar devices and frogmen.

Naval commander Commodore Mohammed Hossein Malakzadeh told Teheran Radio this meant there was no need for other countries to conduct minesweeping activities. He said the force also would sweep for mines in the northern Gulf.

The UAE had earlier turned down Teheran's offer to help clear mines from its coastal waters after the U.S.-operated Supertanker Texaco-Caribbean, loaded with Iranian crude oil, hit a mine in the area last week.

(Continued on Page 7)

State Dep't reacts with 'restraint'

Jerusalem Post Correspondent
WASHINGTON. — A senior State Department official reacted with restraint to the news that the Israeli cabinet has once again postponed a final decision on the fate of the Lavi fighter. The administration has been closely watching the protracted debate in the Israeli government on the plane.

Clearly not wishing to inflame passions after its sharply worded statement of last week, which called on Israel to "terminate" the Lavi, the State Department official said: "Our position is well known. It is a difficult decision, and we understand why some in the Israeli cabinet might want to put it off. It is up to the Israeli government to make a decision, and hopefully, soon, so it can plan and allocate its resources."

Doubt over IAI plan

By JOSHUA BRILLIANT
Post Defence Reporter

TEL AVIV. — Knowledgeable sources in the defence establishment expressed doubt yesterday that the Israel Aircraft Industries could come up with a viable plan to cut the Lavi's cost by \$200m. a year.

Scepticism that it would produce an acceptable plan appeared to be shared even by IAI's director-general, Moshe Keret, who said it would be "very difficult" to reach such a goal without harming the project itself.

Senior defence officials spoke out more bluntly. Defence Minister Rabin said that since similar efforts had failed over the past two months, it was difficult to envisage "a sudden hocus-pocus."

The goal of cutting \$200m. a year was deemed unattainable, partly because IAI's previous plan to cut \$100m. a year was considered unrealistic.

That plan, presented to the prime minister and the defence minister

before yesterday's cabinet meeting, and outlined to the ministers, said that costs could be cut by producing fewer planes each year, reducing the number of test flights, postponing the purchase of considerable quantities of spare parts, shelving plans to build a simulator and so on.

The defence source said some cuts could be made by reducing payments and by increasing productivity. But he added: "How can you cut \$200m. if the job requires the same number of base-hours and the same amount of material? If such huge cuts are indeed possible then IAI really conned us all along and should pay us back many millions of dollars from previous years."

Mk Haim Druckman of the NRP yesterday praised the cabinet for "not adopting a decision on a critical national issue such as the Lavi by a slim majority."

He said he was sure that yesterday's decision to postpone the vote would in effect open the way for a decision to continue with the project.

Shamir to Romania

Post Diplomatic Correspondent
Prime Minister Shamir today begins a three-day official visit to Romania. He will hold talks with President Nicolae Ceausescu and other Romanian leaders.

Ceausescu is likely to press Shamir to agree to an international conference for Middle East peace and to propose ideas about Palestinian representation, according to sources in Jerusalem.

The talks are likely to touch on the problem of Soviet Jewry and possible ways in which Romania could assist in the alleviation of their plight. In the past, Romania agreed to serve as a way-station for Soviet Jews emigrating to Israel.

Sources in Jerusalem suggested that Ceausescu invited Shamir in the past to boost his own position as a world statesman. PLO chairman Yasser Arafat was recently in Bucharest for meetings with Ceausescu.

Dearer chocolate

By JEFF BLACK
The price of chocolate goes up by 6 per cent today. The Industry and Trade Ministry has also approved a 2 per cent rise in the price of biscuits, plain wafers and similar products, and a 6 per cent increase in the price of fibre-board.

Officials said yesterday these price hikes follow an examination by the ministry's economists which found that the cost of raw materials for these products had risen.

To Our Readers

On Sunday, August 16, the price of our weekday paper increased by 15 agorot to 95 agorot. This increase, which is common to all morning newspapers, has been necessitated by accumulated cost increases, and has been approved by the Ministry of Industry and Trade, following the lifting of price control.

Our subscription rates will now be as follows:

3 months	NIS 96
6 months	NIS 180
12 months	NIS 340

The Management



A striking miner raises a clenched fist during the singing of "Nkosi Sikelela i-Africa" (God Save Africa) at a rally near Johannesburg. Story page 3. (AFP)

Katyusha falls in the north

METULA. — Another Katyusha rocket fell in the North early yesterday morning, causing minor damage to several orchards. Military sources said the 107mm Katyusha was one of a number of rockets fired from north of the South Lebanon security zone. The others fell inside the security zone, causing no casualties or damage.

It was the third Katyusha attack in the past week.

Sporadic shooting was heard yesterday afternoon in the central sector of the security zone. The

circumstances surrounding the shooting were unclear. Several private cars and Unifil vehicles passed through the area unharmed. SLA soldiers began a search of the area.

In southern Lebanon, a bomb blast wrecked a car travelling between two Shi'ite villages yesterday, killing its three occupants and a 10-year-old boy at the roadside, police said.

They said the car was about 8km. east of Tyre when an explosive charge estimated at 100kg. of TNT ripped it to charred fragments.

Gandhi on BBC

Pakistan 'stealing' A-bomb technology

LONDON (AP). — Indian Prime Minister Rajiv Gandhi yesterday accused Pakistan of fomenting Sikh terrorism and smuggling stolen technology and material to build nuclear weapons.

A day after celebrating the 40th anniversary of Indian independence from Britain, Gandhi answered questions from radio listeners around the world on a special BBC World Service phone-in.

His harshest comments were reserved for Moslem Pakistan, which also became independent 40 years ago when India was partitioned into Hindu and Moslem states. The two countries have fought three wars since 1947.

Gandhi said Pakistan was "trying to make the nuclear weapon by the worst and most devious means, by smuggling things from outside, by stealing things from other countries, whether it's technology or material."

In contrast, he said, India has demonstrated the capability to make nuclear weapons, but "we have the will not to make the nuclear weapons."

we were received from Histadrut Secretary-General Yisrael Kessar, the world secretary of Dror-Habonim, and other public figures whom Segal covered and befriended over his long career.

The funeral will be held in Tel Aviv tomorrow. Funeral arrangements will be announced.

An appreciation

Like many of the world's finest journalists, Mark Segal never received any formal training in journalism. But he liked people and people liked him, and this, combined with his natural flair for the

(Continued on Page 4)

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AMSTERDAM	18-22	19-23	20-24
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BIRMINGHAM	18-22	19-23	20-24
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THE WEATHER

Location	Yesterday's High/Low	Today's High/Low
Jerusalem	26/18	30/20
Golan	34/24	38/28
Nazareth	34/24	38/28
Safed	34/24	38/28
Tel Aviv	34/24	38/28
B-G Airport	34/24	38/28
Jericho	34/24	38/28
Gaza	34/24	38/28
Beersheba	34/24	38/28
Eilat	34/24	38/28

SOCIAL & PERSONAL

The president of Taro Pharmaceuticals, Dr. Barrie Levitt, and Mrs. Sade-Levitt (who was Miss Israel in 1964), celebrated the birthday of their son Jacob at the Western Wall on Thursday, August 13, 1987, followed by a reception at the Carlton Hotel, Tel Aviv.

Beduin ask to serve in IDF combat units

By YOEL DAR
NAZARETH. — Many young Beduin, especially from Galilee, have appealed to the Defence Ministry to conscript them into combat units. Amos Gilboa, senior adviser to Moshe Arens, the minister in charge of Arab affairs, declined to give exact numbers but stressed that the Beduin want to serve in combat units and not as trackers as most Beduin in the IDF do at present. Several Beduin have recently been accepted into the paratrooper corps. Representatives of Galilee Beduin met with OC Northern Command Yossi Peled and asked him to appoint a senior officer to deal with the problems of discharged Beduin veterans. They claimed that many of them were having difficulties finding work after their discharge from the army. Aluf Peled promised to take up their demands with the military authorities. Hussein el-Heib, a headmaster in Tuba village, said that the Beduin who serve in the army voluntarily deserve the same treatment and rights as Jews and Druse.

HOME AND FOREIGN NEWS

Move said to follow standard procedure

Bar-Lev defends transfer of terrorists to yeshiva

By JOEL GREENBERG
Jerusalem Post Reporter
Police Minister Haim Bar-Lev yesterday defended the transfer of two convicted members of the Jewish terrorist underground from jail to a Prisons Commission "rehabilitation yeshiva" as standard practice. "There was no deviation here from standard procedures," Bar-Lev said. "The underground prisoners have been treated just like any other prisoners. The Prisons Commission is not required to go beyond the terms of the punishment prescribed by the court."

Bar-Lev said the two prisoners, Yitzhak Ganiram and Yehuda Etzion, were transferred to the yeshiva in Afula after they became eligible for rehabilitation under Prisons Commission regulations. He said prisoners who had completed more than a quarter of their sentence were eligible for rehabilitation programmes, in which they could enrol after meeting certain criteria set by a rehabilitation committee of the service. Bar-Lev added that he would be willing to grant the same privileges to eligible Moslem and Christian prisoners, if similar religious seminars were opened in Israel.

Ganiram and Etzion, who were jailed in April 1984, are serving the remainder of their sentences together with 15 other convicts at the yeshiva, from where they are taken to work at various locations. They also receive weekend leave.

Ganiram, who is serving a sentence of six years and nine months, was moved to the yeshiva in late April. Etzion, who is serving a seven-year sentence, was moved in late June. The inmates are taught by Rabbi David Grossman of Migdal Ha'emek and are supervised by a Prisons Commission official.

MK Mordechai Virshubski (Citizens Rights Movement) said he had written to Bar-Lev protesting the transfer of the underground members, and calling for their immediate return to jail. Virshubski said the move was tantamount to official encouragement of future Jewish terrorist groups, and was an abuse of the authority given to the Prisons Commission. He said the underground members would have a negative influence on the other prisoners. He went on to assert that they did not need religious rehabilitation, since they were already observant.

Spate of phoney bombs in T.A.

By JONATHAN KARP, For The Jerusalem Post
TEL AVIV. — The police are calling for increased public vigilance regarding suspicious objects, after three phoney bombs were found in the Tel Aviv area yesterday. The first device was discovered at 9:45 a.m. on the window sill of a classroom in Bnei Brak's Moholover School, police said. The second was reported just after 3 p.m. near a fire extinguisher in a synagogue at 12 Rehov Hapoel Hatzair, Givatayim, and the third was found at 5:30 p.m. on the sidewalk in front of 47 Rehov Yirmiyahu in North Tel Aviv. The police spokesman said that all three objects were made to look like bombs, and that they had all the elements of bombs, except for the explosives.

Nablus shopper says he was clubbed

By JOEL GREENBERG
Jerusalem Post Reporter
Police are looking into a complaint by a Kfar Sava man who said he was clubbed in the face yesterday when he stopped to buy figs south of Nablus. Shimon Sayaf, 30, arrived with his brother-in-law at a neighbouring army base suffering from facial injuries. He was taken to Meir Hospital, in Kfar Sava. The two men had stopped to shop some six kilometres south of Nablus after delivering goods to stores in the city. Sayaf's brother-in-law drew a gun during the incident, but the attacker fled before any shots could be fired. A petrol bomb was hurled Saturday night at an Israeli car near a railroad crossing at Kalkiya, but no one was injured and no damage was done. Two Palestinian youths shot in the legs Friday by IDF troops were taking part in a violent demonstration at the Balata refugee camp near Nablus, a military spokesman said. Troops opened fire to disperse the demonstrators, who threw stones and bottles, he said.

Over 400 starve in Southern Sudan

KHARTOUM (Reuters). — Some 440 people have starved to death in Sudan's southern province of Bahr al-Ghazal, the official Sudan News Agency (Suna) reported yesterday. The agency quoted Sultan Biew Tim, governor of Bahr al-Ghazal, reporting the deaths near the town of Maryal. He also said many people had flooded into the town of Awel to seek refuge from the Sudan People's Liberation Army, fighting since 1983 to overthrow the Khartoum government. Suna said relief and rehabilitation commissioner Mohammed Kamel Shawki had asked officials in Bahr al-Ghazal to review the food situation and map out relief plans. Shawki, the country's top relief official, recently said only 17,500 tons of food had reached southern Sudan out of 71,000 tons needed for its 6 million inhabitants. **CUTOFF.** — The Electric Corporation announced that it has cut off service to the offices of the Kfar Yona local council because of an unpaid account of NIS 24,000.



Private Philippe Ben Shimon, a native of France, served as a paratrooper in the French army and has now completed his paratroopers' training here after volunteering to join the Israel Defence Forces. Ben Shimon, who is 34, has 150 jumps to his credit. (Photo IPFA)

Bomb blows off suspect's hand and leg

By JOANATHAN KARP
PETAH TIKVA. — A young man whom police suspect of trying to plant a bomb in the car of an underworld rival was seriously injured yesterday when the bomb exploded too soon. Police believe the bomb was meant to avenge the recent murder of Yitzhak Maimon of Netanya. The blast occurred at 12:20 p.m. in a Ford Cortina parked at 20 Rehov Wolfson. The 21-year-old suspect, whose name cannot be published, was found lying next to the car, a hand and a leg severed from his body. The man was rushed to Sheba Hospital in Tel Hashomer, where a specialized team of surgeons tried to reattach the limbs. The outcome of the surgery was not known last night. The car's owner, Farouji Flaah of Netanya, was in the nearby Petah Tikva courthouse at the time of the explosion, attending a hearing in which his brother, Gabi, was appearing in connection with Maimon's murder of 10 days ago.

E. Jerusalem businesses urged to strike to defend 'Arab character' of JDEC

By JOEL GREENBERG
Jerusalem Post Reporter
Palestinian nationalist groups have called for a commercial strike in East Jerusalem today in solidarity with the Jerusalem District Electricity Company, whose concession was last week ordered reduced by the cabinet. The JDEC board of directors is to meet today to formulate a response to the cabinet's decision, which renewed the company's concession to supply power for 10 years, but amended it to exclude West Bank settlements, army bases, and Jewish neighbourhoods in Jerusalem that are located across the Green Line.

Leaflets distributed yesterday in East Jerusalem called for a strike to defend the "Arab character" of the company and protect Arab institutions. They were signed by "The JDEC Consumers' Committee."

The JDEC, the largest Arab economic concern in the West Bank, is considered a "national institution" by many Palestinians. Workers will hold a sit-in today at the company's East Jerusalem offices, where they are to be visited by delegations from other Palestinian nationalist groups.

The JDEC workers' union is vehemently opposed to the new concession terms, which include provisions for firing some 200 workers. However, JDEC board chairman Hanna Nasser has said he will accept the new terms if they are the only way to ensure the company's survival. The JDEC has run up a NIS 33 million debt to the Israel Electric Corporation, from which it buys 95 per cent of its power. The new concession terms provide for Energy Ministry loans to help the JDEC move towards economic recovery.

Police investigate collapse of building that killed girl

By HERB KEINAN
Jerusalem Police are considering whether negligence charges can be filed against a West Bank contractor who laid the foundations for the addition to an apartment in Florentin Street, Kiryat Hayovel, which collapsed on Friday, killing a five-year-old girl. Adi Tzarfaty was killed when the room she was sleeping in collapsed. Minutes earlier her father, Bentzi Tzarfaty, managed to rescue his two other children — Liat, 9, and Shabtai, 10 — after he felt the floor move. He was unable to get back to the room for his youngest daughter before the foundations gave way and the room caved in.

School start may be delayed

By LEA LEVAVI
TEL AVIV. — The Histadrut Teachers' Union yesterday declared a labour dispute over the government's failure to negotiate a new work contract with the teachers. The union leadership will meet on August 30 — two days before the school year is scheduled to open — to decide whether to go on strike. Meanwhile, the Hebrew University of Jerusalem yesterday reiterated its intention not to open in October unless it has a balanced budget. It called on the government to increase its financial support.

the court that they had been denied the right to do so. Rashid, 34, a member of a Beduin tribe from the Ofakim area, is charged with accepting grenades and other explosives from Gaza residents who worked for Egyptian intelligence, and attempting to transfer them to other Egyptian agents.

Beduin remanded for giving arms to Egyptians

BEERSHEBA. — A Negev Beduin charged with transferring arms to Egyptian agents has been remanded in custody here until the end of his trial. The district court judge yesterday ordered that Uda Abu Rashid's attorneys be allowed to read the evidence against him after they told

the court that they had been denied the right to do so. Rashid, 34, a member of a Beduin tribe from the Ofakim area, is charged with accepting grenades and other explosives from Gaza residents who worked for Egyptian intelligence, and attempting to transfer them to other Egyptian agents.

Our deepest sympathy to family and friends on the untimely passing of

MARK SEGAL

Beit Kfar Hanassi

In sadness

MARK SEGAL

Love, Bones and Sal

records with profound sorrow the passing of

JACOB M. SCHREIBER

a dedicated Jew, and an ardent supporter of the People of Israel through the JIA, London.

We extend our heartfelt condolences to SHOSHANA and to the entire family.

May they be spared further sorrow for many years to come.

Dr. Avraham Avi-hai World Chairman Yaacov Gilead Director-General

The Tel Aviv Journalists Association mourns the death of its member

MARK SEGAL

and shares the grief of the family

We deeply mourn the passing of our beloved

ESTHER TALMON (Tillis) ז"ל

The funeral will take place today, Monday, August 17, 1987 at 11 a.m., at the New Cemetery, Kfar Samir, Haifa.

Hanna, David and Reuven Lewinsky

We sadly announce the passing of our beloved

RABBI LEO MORDKOFF ז"ל

husband of the late Shayna Mordkoff formerly of Albany, N.Y. and Miami Beach FL.

Children — Hadassah and Bernard Grandchildren — Shira, Uri, Yechiel Gordon Dr. Alan and Etana Friedman Great-grandchildren — Betzalel and Nava

Coffin arrives El Al 006 at 4 p.m., today, Monday. Interment today at Eretz Hachaim cemetery, Beit Shמש, at 5:30 p.m.

With deep sorrow, we announce the passing of our beloved husband, father, grandfather, brother-in-law, uncle and cousin

Dipl. Eng. JOACHIM COHEN

Wife, Liesel Cohen Daughter and son-in-law, Yehudit and Ido Burman Grandsons, Tel and Ran

The funeral will take place today, Monday, August 17, 1987, at 4:30 p.m., at Kfar Shmaryahu Cemetery.

We bitterly grieve over the untimely passing of our dear friend

JACOB SCHREIBER ז"ל

and convey our condolences to his wife Shoshana, her children, and all the family on this great loss.

The coffin will lie in state tomorrow, Monday, 22 Av 5747 — August 17, 1987 at 12:30 p.m. at the Rambam Medical Centre plaza.

The public may pay its last respects until 1:30 p.m., when the funeral will leave for the Old Hot Hacarmel cemetery.

Friends of Rambam Medical Centre, Haifa Rambam Medical Centre, Haifa

To SHOSHANA SCHREIBER and FAMILY

Deepest sympathy on the untimely death of our friend, your dear

JACOB SCHREIBER

M.B. Gitter Avraham Agmon Yaacov Helfetz

The Management of Delek — the Israel Fuel Corp.

Tel Aviv University mourns the passing of

JACOB M. SCHREIBER

Doctor Philosophiae Honoris Causa of the University, a long serving member of the Board of Governors and a generous supporter,

and sends sincere condolences to his wife, Shoshana, and all the family.

The Tel Aviv University Trust of Great Britain sends its deepest condolences to Mrs. Shoshana Schreiber on the sudden passing of her dear husband

JACOB

He will be sadly missed by all who knew him

To the Schreiber and Maislish families

We share your profound grief on the loss of the head of the family

JACOB SCHREIBER ז"ל

Suzy and Morris Nachtoml

הנהלת האגודה

More miners may down tools today

Strikers accept offer of talks with S. Africa's largest mining group

JOHANNESBURG (Reuters). — Leaders of South Africa's 300,000 striking black miners yesterday agreed to meet the country's biggest mining company to discuss ways of reducing the rising violence in the week-old stoppage at gold and coal mines.

But Cyril Ramaphosa, general secretary of the National Union of Mineworkers (NUM), said the strike, the biggest in South Africa's history, would continue until all union demands were met. He added, however, "We are pleased to note that Anglo American has come to its senses and has stopped being arrogant."

Ramaphosa also told the news conference that workers at more mines would down tools today, but did not elaborate.

He said a strategy meeting of 200 NUM officials yesterday had agreed to accept a televised invitation from the giant mining conglomerate, Anglo American Corporation, to negotiate on methods of cutting violence at the strike-bound mines.

About 240 people have been injured and more than 200 arrested since the strike started last Sunday night, according to latest NUM figures.

In the latest reported clash, mine guards Saturday fired tear-gas and rubber bullets at attacking strikers at a gold mine south-west of Johannesburg, injuring 24, a statement from Anglo American said.

Ramaphosa said the talks with Anglo American, which could start today, were the first top-level contacts between the NUM and the mining houses since the beginning of the strike that has affected about half the country's gold mines and a fifth of its collieries.

But he denied that the NUM, which is demanding a 30 per cent wage increase, was climbing

Jerusalem Post Staff
Histadrut secretary-general Yisrael Kessar has sent a telegram of support to striking South African miners, a Histadrut spokesman said at the weekend.

Kessar said in the message that the Histadrut "unconditionally supports this legitimate strike for better working conditions... and condemns the arrest of workers."

down. The union has rejected a management offer to negotiate terms other than wages, saying it will only talk with all the disputed issues on the agenda.

The NUM leader accused the white-led government of siding with the mining companies in trying to crush the strike — and warned of more violence to come.

"This coming week is going to be a crucial week," he said. "We have observed a lot of

barbaric acts on the mines... What we have seen in the past week is just the beginning. They will try to crush the strike in a military-style way," Ramaphosa added.

The mining companies charge that their security personnel have been attacked by strikers, sometimes heavily armed, who have based themselves in the mines' hostels.

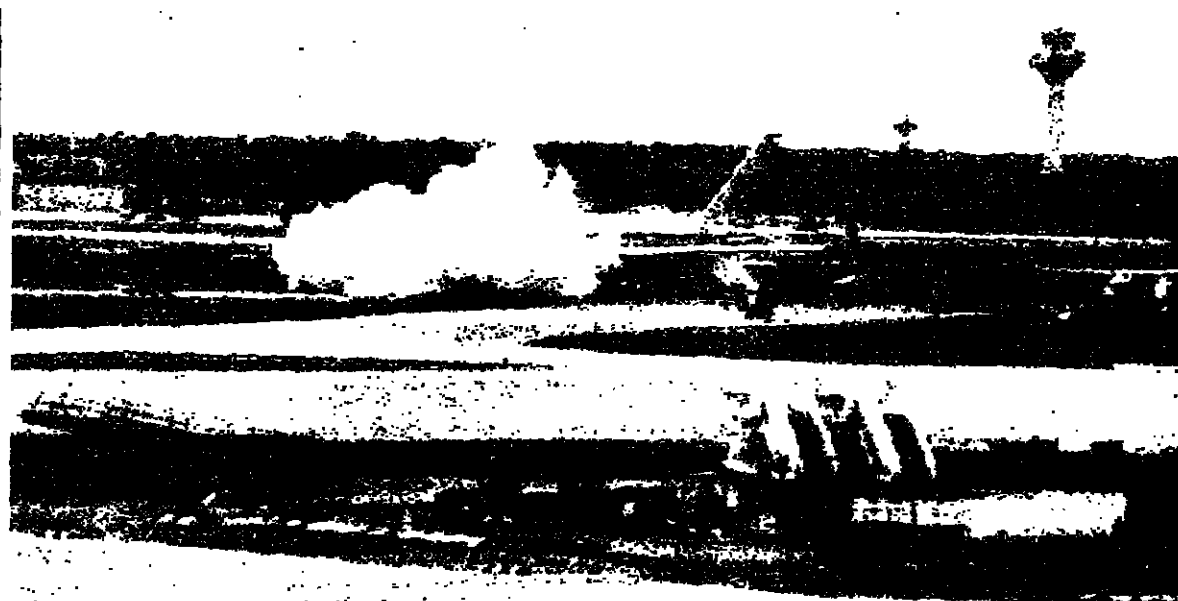
Management has also accused militants of terrorising miners into striking against their wishes. Anglo American warned miners Saturday that it was considering closing at least one mine, which could lead to 2,000 miners being fired.

Ramaphosa yesterday said that NUM members would not budge from the mines if they were closed. "If they are forced to move, something terrible will happen," he warned.

Anglo American's invitation to hold talks listed a four-point agenda, including a proposal that force should not be used by management or union members to prevent miners from striking peacefully or working normally.

It said management remained the responsible authority for maintaining peace on its property.

Ramaphosa cited figures compiled by an independent survey organization, the Labour Monitoring Group, concluding that the main companies hit by the strike had lost at least 90 million rand (\$45m.) since the stoppage started.



A cloud of extinguishing foam quickly doused a burning engine of an American Airlines Boeing 767 at Frankfurt Airport yesterday. The Los Angeles-bound plane made an emergency landing just 10 minutes after take-off with one of its two engines on fire. Some of the 175 passengers were reported slightly hurt as they were evacuated down emergency chutes but there were no serious injuries. The plane was badly damaged. The cause of the fire has not been established. (APF)

Vault manager is charged in UK's record robbery

LONDON (Reuters). — Britain's biggest robbery took a new twist when police charged the managing director of a London safe-deposit vault with the theft from his own strong-room.

The arrest of Pakistani-born Parvez Latif, 30, brought to 10 the number of people charged in connection with the theft of at least £30 million worth of gold, diamonds, jewelry and cash from the Knightsbridge safety deposit centre.

Police said Latif, the managing director of the firm which owns the centre, was there when thieves bluffed their way into the underground strongroom on July 12, posing as potential customers.

The central London vault has been billed as one of the most secure in the world and detectives say top criminals may have used it to stash hauls.

They cannot accurately assess the total value of property stolen because only 80 of the 126 safe-deposit owners whose boxes were rifled have come forward.

Police yesterday also arrested an unemployed woman, 29-year-old Pamela Semarks, believed to be Latif's girlfriend, in connection with the robbery.

Two Israelis, a Dane, an Italian and four Britons have already appeared in court in connection with the robbery.

Cairo accuses 'Islamic extremists'

CAIRO (Reuters). — Interior Minister Zaki Badr accused unnamed foreign powers yesterday of responsibility for a spate of violence by Moslem extremists in Egypt in the last four months.

Since May, attempts have been made on the lives of two former interior ministers, two U.S. Embassy staff and a prominent magazine editor.

Badr, addressing a conference of Egyptian expatriates, did not identify the Moslem groups suspected of carrying out the attacks or say which

foreign countries might be involved, but he said "the gunmen belong to an extremist Islamic society."

Egypt broke relations with Iran in May and security sources said the government had evidence that Tehran was funding underground Moslem groups plotting to kill leading Egyptian figures.

Former Interior Minister Nabawi Ismail escaped unscathed on Thursday when gunmen sprayed his apartment with bullets from a speeding car. Two passers-by were injured, one seriously.

Thousands of Presley fans at annual candlelight vigil

MEMPHIS, Tenn. (Reuters). — Thousands of adoring Elvis Presley fans ended a candlelight vigil outside his palatial Graceland mansion early yesterday, the 10th anniversary of his death, then scrambled for seats to a memorial service.

Police said an "easy 10,000" people had attended the all-night vigil outside the mansion, now a museum of Presley memorabilia.

Fans were competing for only 1,000 seats in the Memphis State University theatre yesterday afternoon to listen to Elvis' friends and family members talk about the singer, whose undulating hips and rebellious style made him the king of rock 'n' roll in the 1950s and '60s and

the most successful recording artist in history.

The memorial service was organized by disc-jockey George Klein, a close friend of Elvis' since high school.

Thousands of people spent the night at Graceland, where Presley is buried, walking single-file past his grave.

Some were just along for the atmosphere. "We came to see the people," said one man who came to Memphis from Chicago with three friends. "And it's been worth the trip. This certainly isn't the usual thing you would find around the home of Thomas Jefferson or George Washington."

Car bomb kills 4 near Tyre

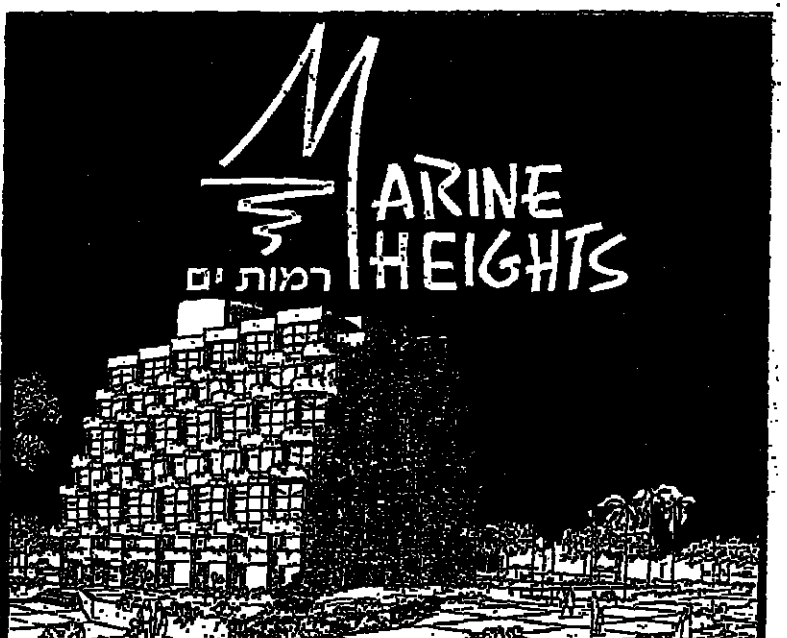
TYRE (AP). — A car bomb exploded near this southern port city yesterday, killing three of its occupants and a passer-by, police said.

They said a beige Volvo, carrying 156 kg of explosives, went off at noon on the main street in Abbasiyeh, about 9 km north of Tyre.

Besides the three occupants of the vehicle killed, police said, a 14-year-old boy walking by was fatally wounded when the car exploded.

Security sources in the south, speaking on condition of anonymity, said the three in the car are believed to have been anti-Israeli Shi'ite Moslem guerrillas.

The blast destroyed several parked cars and shattered windows in a dozen houses in Abbasiyeh, within a zone of operations of Ghannai troops of the UN Interim Force in Lebanon.



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U.S. knew 'since 1981' Israel sold Iran arms

By DAVID MAKOVSKY
Jerusalem Post Correspondent
WASHINGTON. — Reagan Administrations officials have known since early 1981 that Israel has been selling arms to Iran — with Israel often seeking American approval for such transactions — the Washington Post reported yesterday after an investigation which included interviews with officials in the U.S. and Israel, an examination of documents obtained in Israel, and of testimony and exhibits from the Iran-Contra hearings.

The report says the record is ambiguous on how the U.S. government responded to Israeli officials' request for permission to ship arms to Iran. At times, the account says, citing various Israeli and American sources, the response was vigorous objections; other times, implicit approval.

After Reagan's election in 1980, Menachem Meron, then-Israeli military attaché in Washington, asked Morris Amital, a leading pro-Israel lobbyist, to ask National Security Adviser Richard Allen about the attitude of the new administration to Israel's shipping some spare parts to Iran. Amital interpreted Allen's subsequent response as being a "wink and a nod" and "an amber light" to go ahead.

Once Reagan took office, former defence minister Ariel Sharon raised the issue with then U.S. secretary of state, Alexander Haig. There are conflicting reports about whether Haig actually approved the transaction of U.S.-made spare parts. Defence Secretary Caspar Weinberger told a congressional panel investigating the Iran-Contra affair that the Israeli officials used to tell him, "Al Haig said it (the sales) was okay."

One of Iran's major deals with Israel was a reported \$200 million shipment that began in July 1981, the report said.

The Post complained that the congressional investigation of the Iran-Contra affair shed little light on Israel's role, while citing leading Israeli critic, Senator James McClellan (R-Idaho) who argued that the committee was protecting Israel at the expense of developing a complete account.

The Post report, which gives an overview of Israel-Iran relations, says that former Foreign Ministry Director-General David Kimche served as Mossad station chief in Tehran and Israeli arms dealer Ya'acov Nimrodi was the Israeli military attaché, and helped train Iran's military intelligence corps during the time of the Shah.

Lange: Anti-Nuke policy won the vote

AUCKLAND, New Zealand — Prime Minister David Lange said his unwavering anti-nuclear stance was a major factor in his re-election and predicted that New Zealand's economy would improve dynamically during his next three years in office.

Voters on Saturday made Lange the first Labour Party leader since World War II to win two consecutive terms.

Lange, 45, has transformed New Zealand with deregulation of the economy and an anti-nuclear policy that distanced this small country of 3.3 million people from the U.S. and other nuclear powers.

In 1984, Lange banned port visits by nuclear-capable warships, a policy which broke the Australia-New Zealand-U.S. military alliance and cost New Zealand its good relationship with the U.S. He put the burden on the U.S. to improve relations.

"The nuclear policy was important for itself," Lange said. "But it was probably more important in conveying to New Zealanders that there can, in government, be a consistency and a resolution and that we in this government do not change on a two-monthly basis to face whichever breeze which happens to be sniffling the best."

Lange said his policies would make New Zealand a better place for people to live. He predicted the record inflation running at 18.9 per cent and high interest rates, at 21.5 per cent would drop sharply by March.

In parliament for 10 years, 45-year-old Lange has been prime minister for three and could stay another 25 in politics before reaching the Labour Party retiring age.

Victory in 1984 made him the youngest prime minister this century. His victory last week means that the country faces another three years of blunt talking from the for-



Jubilant Premier David Lange, as his Labour Party was proclaimed victor in the New Zealand election Friday. (APF)

mer courtroom lawyer and Methodist preacher.

Lange says racing saloon cars is "an antidote for stress because the adrenalin charge is so uplifting."

"I don't know of anyone who's been killed in a Ford Laser on a motor track yet — anywhere in the world," he said. "But I can think of a few people who have died in their sleep."

Lange is by far the country's most popular politician, probably because he has never sought privilege or wealth.

He leaped to foreign attention with a ban on nuclear warships, now enshrined in law and the cause of New Zealand's effective suspension by Washington from Anzus Defence Treaty with the U.S. and Australia.

"Thank God Anzus is inoperable," he quipped at the time. "If it becomes operative it is because we have been attacked."

The Anzus affair was followed by criticism of France for sinking Rainbow Warrior, flagship of the Greenpeace Environmental Organization, in Auckland harbour, in July 1985.

France admitted its agents planted

the mines that sank Rainbow Warrior, killing one man, as the vessel prepared for a protest at the Mururoa nuclear test site.

Lange (pronounced Longee) was swept into office in July 1984, ending the long domination of Sir Robert Muldoon, to inherit a country in deep economic trouble. He acted quickly, overcoming a constitutional crisis and taking tough economic measures including a 20 per cent devaluation of the dollar.

New Zealanders backed his impassioned call for cooperation and unity and 100 days into the government's three-year term his popularity rating was 75 per cent, the highest recorded.

Lange, who says he is a middle-of-the-road socialist, lost his first try at the Labour leadership by one vote in 1980.

David Russell Lange was born on August 4, 1942, in Auckland, where his father was a doctor in poorer suburbs. The eldest of four children, Lange was described during his years at Auckland University as humorous but of abnormal size. A fan of crossword puzzles which he completes at great speed, he gained a first-class master of laws degree in 1968.

During his student years he worked as a law clerk in a firm heavily engaged in criminal cases, union advocacy and personal injury claims. He then lived in London for a year where he met his British-born wife Naomi Crampton, who was working for the West London Methodist Mission.

On his return to New Zealand, Lange became a lawyer of last resort, handling up to 40 cases a day, other advocates would not accept, for people who often did not pay their bills.

He then entered parliament in 1977 — his annual income was only 7,000 New Zealand dollars (\$3,500 U.S.). He now earns 129,250 dollars (\$74,000 U.S.) a year as prime minister. (AP, Reuters)

'The hard part is still to come'

Central America moves warily toward peace

SAN JOSE, Costa Rica. — A week after signing a regional peace plan, five Central American presidents are taking the first, tentative steps toward turning it into reality.

"The signs are promising, but they still have a lot of work to do," said a Western diplomat who has followed the peace process carefully. "The hard part is still to come."

The diplomat, who asked not to be identified, noted that the presidents — of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua — still must arrange cease-fires and work out an effective disarmament programme, tasks he called "tricky at best."

The pact, signed August 7 in Guatemala City, calls for cease-fires to be arranged within 90 days in Nicaragua, El Salvador and Guatemala. Guatemala and El Salvador

took steps in that direction last week.

President Daniel Ortega of Nicaragua, however, continued to insist on discussing a cease-fire only with the U.S., or as he put it, "with the owner of the circus, not with the clowns."

Ortega has long contended the U.S. could end the war in his country anytime it wanted by halting support to the anti-Sandinista rebels known as Contras.

President Ronald Reagan said Saturday U.S. support for Contra rebels should continue until a cease-fire was in place and Nicaragua had begun to implement what he termed genuine democracy.

In his regular Saturday radio address, Reagan again welcomed the Central American peace initiative and said the U.S. was ready to

work with those countries to perfect and implement the plan.

On Friday, Reagan's special envoy to Central America, Philip Habib, resigned, and critics of Reagan's policies said Habib may have resigned because he felt the administration was more interested in getting fresh money for the Contras than in negotiating a peace settlement.

El Salvador and Nicaragua are fighting full-scale civil wars. Guatemala is combating a relatively small-scale insurgency that has waxed and waned for nearly two decades.

The war in El Salvador is in its eighth year; Nicaragua's is in its sixth. Combined, the three conflicts have killed more than 100,000 people, greatly damaged the economies of the combatant countries and of the region, and brought the isthmus into the East-West superpower conflict.

The Guatemala agreement does not specifically say any of the three Central American governments must talk directly to their armed opposition. In the absence of specific language, a cease-fire presumably could be arranged through a third party.

While Nicaragua continued to refuse to talk face-to-face with the Contras, Presidents Jose Napoleon Duarte of El Salvador and Vinicio

Cerezo of Guatemala proposed direct talks with the rebels trying to topple their governments.

Duarte's call for talks on September 15 was accepted by the Farabundo Marti National Liberation Front, or FMLN, and its political arm, the Revolutionary Democratic Front. The FMLN is an umbrella organization comprising four leftist rebel groups in El Salvador.

In a departure from the past, neither side set conditions for negotiations. Two earlier rounds of talks between El Salvador's rebels and the government foundered because the two sides insisted on differing conditions for an end to hostilities.

The Guatemala pact calls for the following items to "enter into force simultaneously" within 90 days: amnesty for political prisoners; cease-fires; elimination of foreign sanctuaries for rebel forces; a halt to aid for insurgents, and "democratization."

Implementation was left to the foreign ministers of the five nations, as was the question of arms control and verification.

Verification is a major concern of the Reagan administration. The administration fears it will be backed into a corner from which it can no longer support the Contras, without a corresponding decrease in Soviet Bloc aid to Nicaragua and the rebels in El Salvador. (AP, Reuters)

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Triple Jeopardy

Foreign Policy Challenging President's Staying Power

By R. W. APPLE Jr.

WASHINGTON
RONALD Reagan came into the Presidency in January 1981 with pledges to make the United States a stronger country than ever before, one that would be respected, even feared, in the rest of the world.

So far, the record is mixed, and it may well be that what he does between now and January 1989 will seal his place in history. More than that, his decisions will go far toward influencing the prospects for war or peace as the turn of the century nears.

In his speech to the nation on Wednesday night, his first since the conclusion of the Iran-contra hearings, the President pledged that he would not "let the dust and cobwebs settle on the furniture in this office or on me" in his last 17 months in the White House. In fact, he couldn't do it if he wanted to, because, by choice or circumstance, he must still deal with an unusually full agenda of complex and heavy issues.

There are other items on the list, of course — the nomination of Judge Robert H. Bork to the Supreme Court and the struggle to bring the budget under control.

But much of the nation's and the world's attention in the coming months will be focused on how a President who has lost much of his once-awesome political clout, who by the testimony of his friends doesn't have the zip he once had, manages three major foreign-policy problems: the war in Nicaragua, the crisis in the Persian Gulf and the arms negotiations with the Soviet Union.

Perhaps the most decisive strikes of the Reagan Administration so far have been the invasion of Grenada and the apparent taming, however transitory it may prove to be, of Col. Muammar el-Qaddafi of Libya. But the President failed in his bid to help keep the peace in Lebanon, losing 242 marines in a terrorist attack before a humiliating withdrawal from Beirut. Then, in his feverish attempts to free the hostages in the Middle East, Mr. Reagan became mired in the Iran-contra affair. Attempts to reach an agreement on arms control with Moscow have blown hot and cold, with the Soviet leader Mikhail S. Gorbachev seemingly winning the battle for world public opinion at the moment despite the Administration's claims to the contrary.



Central America

Drawings by Scott MacNeill

have made the basic proposals first for reducing the number of nuclear weapons.

Finally, in Central America, the President first won Congressional approval for military aid to the contra rebels, then saw it cut off, then won its resumption. Now he must decide how to gain a continuation of the aid while at the same time seeming not to disavow the peace plan of the Central American presidents, signed in Guatemala on August 7. He must also resolve differences within his Administration on Nicaragua. The President's special envoy on Central America, Philip C. Habib, resigned Friday, reportedly because he was not given a major policy role.

Mr. Reagan approaches each of the three big questions with less freedom of maneuver than he had

The Gulf War



a year ago. His party no longer controls the Senate, he himself is deep into the second half of his final term and the Iran-contra episode has weakened him.

A senior Republican senator put the matter bluntly: "People up here used to be afraid of him; now they aren't." Even if he can manage to unify his own Administration — something he has found hard to do, especially when the State Department and the Defense Department disagreed — he will face problems in persuading Congress, still smarting from the Administration's lies, to support him.

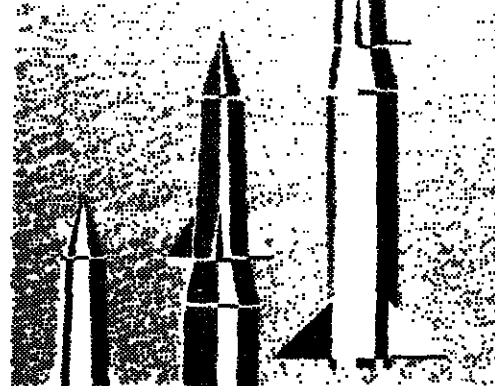
When it comes to the Iran-contra affair, some issue for the Administration. The flow of aid is to stop Sept. 30 unless Congress acts, but an immediate extension might be seen as undercutting the Guatemala plan, which does not require a cease-fire until Nov. 7. The President's peace plan is being attacked on the left and the right, either as a ploy to get more contra aid or as a betrayal of the contras.

And an early request for more aid is likely to earn the enmity of the Speaker of the House, Representative Jim Wright of Texas, who is a keen supporter of the peace initiative.

The President would like to preserve his fragile liaison with the Speaker, which he described last week as "the beginnings, however uncertain, of a bipartisan foreign policy." But he feels that he cannot abandon the contras, particularly with his party's main 1988 Presidential hopefuls, including Vice President Bush, taking strongly pro-contra positions.

If Mr. Reagan seems unlikely to play the role of peacemaker in Central America, his chances with the Russians seem much better, at least where medi-

Arms Control



um-range missiles are concerned. An agreement would make possible a Gorbachev visit to the United States and a treaty-signing this fall or winter. The President is clearly eager for such an event.

"This would be an historic agreement," he said in his Wednesday speech, adding that "I am optimistic that we'll soon witness a first in world history — the sight of two countries actually destroying nuclear weapons in their arsenals." There is much less optimism, however, about an agreement on strategic, or long-range, missiles. For now, the President's "Star Wars" program stands in the way, with neither side showing very much flexibility.

In the Persian Gulf, Mr. Reagan has made an open-ended commitment to protecting international shipping and, in particular, to escorting Kuwaiti tankers. Yesterday, the President said, "We have to show that efforts of intimidation, like Iranian threats against Kuwait and other nonbelligerent states in the gulf, do not work." Despite huge expenditures on ships during his six years in office, he has had to endure a series of reverses — an American warship heavily damaged by an Iraqi missile because defensive systems were not turned on; one of the tankers hulled by a World War I-era mine because no American minesweepers were available; an old Iranian fighter aircraft evading American Sparrow missiles with apparent ease.

So far, Congress has voiced some complaints but taken no action, although the Democratic Presidential hopefuls are beginning to step up their attacks on the President's gulf policy, and the Democrats on Capitol Hill will surely join in if an American warship is hit. At that point, and many military analysts believe it will inevitably come, sooner or later, Mr. Reagan would have to decide what form his response should take and at the same time, under the War Powers Act, face demands from Congress for a much fuller policy explanation.

For any President at the height of his powers, it would be a daunting challenge. For Ronald Reagan, facing a hostile Congress in the twilight of a Presidency weakened by scandal, it is an Everest of a mountain to climb. If he succeeds, he will be remembered, along with Dwight D. Eisenhower, as one of the few modern Presidents whose last days in office were his best.

Iran-Contra Affair Reagan on the Record

Throughout the 11 weeks of the Iran-contra hearings, President Reagan declined to say anything substantive about them. Last week, in a nationally broadcast speech, he broke his silence. Excerpts follow.

Hostages

... I let my preoccupation with the hostages intrude into areas where it didn't belong. The image — the reality — of Americans in chains, deprived of their freedom and families so far from home, burdened

my thoughts. And this was a mistake ... I was stubborn in my pursuit of a policy that went astray.

Contra aid

I was aware the resistance was receiving funds directly from third countries and from private efforts, and I endorsed those endeavors wholeheartedly; but — let me put this in capital letters — I DID NOT KNOW ABOUT THE DIVERSION OF FUNDS. ... Yet the buck does not stop with Admiral Poindexter, as he

stated in his testimony; it stops with me.

Changing the System

First of all, I've brought in a new and knowledgeable team ... I am also adopting new, tighter procedures on consulting with and notifying the Congress on future covert action findings ... Probably the biggest lesson we can draw from the hearings is that the executive and legislative branches of Government need to regain trust in each other ...

Miners' Strike in South Africa Raises the Spirit of Resistance

By JOHN D. BATTERSBY

JOHANNESBURG
THE nationwide strike launched last week by more than 300,000 black miners has caused new political uncertainty in South Africa. The strike raised the spirits of the anti-apartheid movement, battle-weary after 14 months of emergency rule that has effectively stifled resistance to white domination. And it produced new headaches for the Government and the mine owners at a time when gold prices have been rising, bolstering the economy and inflating profits.

Both management and union officials said they expected a long struggle, although previous mine strikes have seldom lasted more than a few days. The strike, which began Sunday night, crossed an important threshold Thursday when the police, using rubber bullets and tear gas, evicted 300 miners at Anglo American Corporation's East Rand processing plant. The company accused them of "serious acts of sabotage." Early Friday, the police again shot rubber bullets into a crowd of miners at Anglo American's Western Deep Levels mine, injuring 76 miners, four seriously. Security forces also arrested 78 union officials at a regional meeting last week, accusing them of discussing violent measures against strike-breakers. They are to appear in court tomorrow to face charges of conspiracy to murder.

Until Thursday, Anglo American and the other mining companies had relied largely on their own security personnel. The National Union of Mineworkers accused the authorities of strong-arm tactics Friday and said the employers were using the police to crush the strike.

However, analysts said the Government was unlikely to get involved in the strike beyond what it regards as law-enforcement measures. They said Government officials recognized that, on the face of it at least, the strike was a dispute about wages and not about political demands. However, employers and officials were concerned that if the miners found they could severely disrupt gold production, they might eventually use the powerful weapon in pursuit of political demands. "There is nothing they can do to stop us now," said Jacob Mokoheane, a striker at the Randfontein Estates gold mine west of Johannesburg. "But the time is not ripe for political demands. We still have to work for three to five years before we will be able to win political demands."

President P. W. Botha indicated in Parliament last week that he still hopes to advance his tentative efforts to

draw black leaders into negotiations on the country's future. Government intervention to crush the union could scuttle any chances for Mr. Botha's negotiations. It could also threaten nine years of advances in labor relations. Since black unions were legalized in 1978, they have functioned as a safety valve for black political aspirations in the absence of other legal channels.

The Manpower Minister, P. T. C. du Plessis, said tougher union laws, which would offer protection to employers, are being drafted, but that the Government would not intervene. He predicted the mines would hire "temporary labor" to replace strikers before gold exports are seriously disrupted. Later, in an indication that officials may be losing patience, Mr. du Plessis said the

strikers were "getting away with murder." The strike has closed more than one-third of the gold and coal mines, but some gold mines are thought to have 30-day stockpiles. Gold accounts for nearly 60 percent of foreign earnings and 75 percent of mineral earnings in the mining-intensive South African economy. When stockpiles are exhausted, lost gold earnings could reach \$7.5 million a day, according to economic analysts. Cyril Ramaphosa, the leader of the National Union of Mineworkers, predicted six months' worth of production would be lost if mine employers resorted to mass dismissals. If so, experts said, the industry could lose about \$1.2 billion.

According to Mark Swilling, a political scientist at the University of the Witwatersrand, the strike has politi-

cal importance because the miners have increased their bargaining power since moving into semi-skilled and skilled jobs formerly reserved for whites. "This makes them far more indispensable to employers," he said, disagreeing with Mr. du Plessis. "It is no longer possible to just replace them with temporary labor."

The union is demanding a 30 percent wage increase. The companies say the 15 to 23 percent raises they already have granted are final but that they are willing to reopen negotiations on expanded vacations, death benefits and danger pay. About 600 black miners are killed each year in accidents.

With the latest raises, Anglo American said, the average monthly pay of black miners is \$226. White miners receive about \$750 a month in South Africa.

The Chamber of Mines, an employer trade association, said that 220,000 to 230,000 black miners were on strike and that production had been "significantly affected" at 33 of the group's 99 mines. The Independent Labor Monitoring Group said more than 281,000 miners were on strike at 53 mines, and that this indicated a total "in excess of 300,000" strikers. According to the union, 340,000 men were on strike at about 52 mines and plants and had shut down production at 44 of them.

Since the strike began Sunday, one miner has been killed — employers said he was murdered for refusing to join the strike — and about 200 have been injured in clashes with mine security guards, security forces and other miners. The police said more than 100 miners and union officials were arrested, but the union said the total was really more than 200. Even so, according to Mr. Swilling, the political scientist, the strike is unlikely to become political unless "worker response to repression at the grass-roots level leads ultimately to a general strike." Repression, he said, could trigger "widespread unrest."

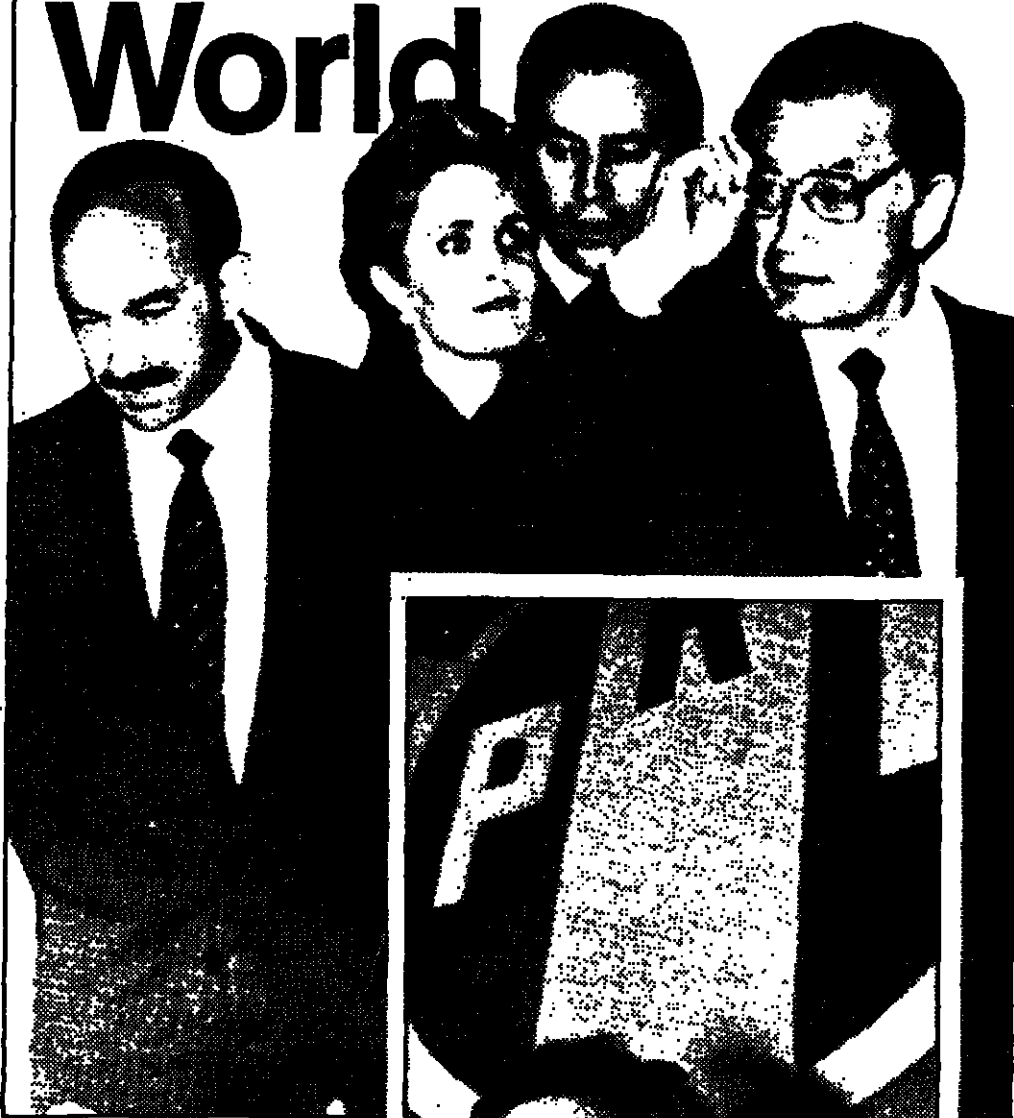


Striking miner talking to his family during a sit-in at a gold-dump reclamation plant owned by the Anglo American Corporation east of Johannesburg.

Stocks zoom, but
economy dawdles

4

The World



Among those frequently mentioned as possible successors to President Miguel de la Madrid are, above from left, Carlos Salinas de Gortari, Alfredo del Mazo González (with his wife, Carmen) and Manuel Bartlett Díaz; Cuauhtémoc Cárdenas (right).



La Jornada: Francisco Mata Rosas; The New York Times: Sergio Delano; Cárdenas

Presidential Succession Is at Issue

Dissidents in Mexico's Ruling Party Challenge Half-Century of Tradition

By LARRY ROHTER

THE leader of a dissident faction of the ruling Institutional Revolutionary Party has threatened to go to court if the party does not hold an open convention to select its candidate for president of Mexico.

Meanwhile, his closest ally, the popular son of a former president, announced, after repeated and fiery attacks on the administration in which he recently served, that he is drafting his own "program of government."

The battle for succession in next year's presidential election is already shaping up as the most contentious in decades. While the outcome does not appear to be in doubt — the governing party came to power in 1929 and has defeated weak opposition parties on the left and right in every national election since — open challenges by discontented elements in the party have injected an unusual element of controversy.

At the core of much of the debate is the right of President Miguel de la Madrid to handpick his successor. The Chief Executive is limited to a single six-year term, during which he is virtually all-powerful.

Then he names his successor, a procedure known as "el dedazo," or "the pointing of the big finger."

Defying Party Discipline

This time, however, Mr. de la Madrid and leaders of PRI, the party's Spanish acronym, are being challenged by the new Democratic Current, which wants to open up the succession process.

The movement's two main leaders, a former party president, Porfirio Muñoz Ledo, and the former governor of the state of Michoacán, Cuauhtémoc Cárdenas, have been making speeches for months, defying party discipline and telling labor, peasant, professional and student groups that the best way to "modernize" and "renovate" the party is to assure that the next president emerges "not from the summit but from the

grass roots."

The ferment, political analysts here say, reflects deep doubts about the future of the Mexican presidential system.

Five years of economic crisis marked by record inflation and spiraling foreign debt have created the widespread feeling that a political structure dependent on a single will is now exhausted, and that a more workable alternative must be found.

That difficult task, however, will fall not to Mr. de la Madrid, but to his successor, whoever he turns out to be.

Party stalwarts argue vigorously against changing the system, at least before Mr. de la Madrid's successor is "unveiled" early this fall and takes office late next year.

In a typical statement, Rodolfo Félix Valdés, the governor of the state of Sonora, which borders Arizona, said last week that the party had no reason to "perform a striptease."

Because "our system has functioned well for 50 years," he added, it does not need to be changed.

But even among rank-and-file loyalists, there appears to be some dissatisfaction with the presumed candidates. The three men most often mentioned as successors to Mr. de la Madrid are Interior Minister Manuel Bartlett Díaz, the Energy and State Industry Minister, Alfredo del Mazo González, and the Budget and Planning Minister, Carlos Salinas de Gortari.

While they differ on many major issues, all have one thing in common: They are so-called "cachorros," or "cubs," relatively young and privileged sons of former governors, ministers and ambassadors who have risen rapidly and smoothly in the party's ranks without, some argue, having paid their dues at the lower levels.

To many veteran politicians, disturbed by the problems that have emerged during Mr. de la Madrid's tenure, the prospect of another administration headed by a technocrat with limited political skills is disturbing, if not unpalatable.

In what was regarded as a slap at Mr. Salinas and Mr. del Mazo, Mexico's Ambassador

to Spain, Rodolfo González Guevara, recently endorsed Mr. Bartlett, who is seen as more in tune with the values of the old guard than his rivals.

"It is up to politicians to assume the serious responsibility of making decisions, based on their knowledge of the feelings of the great majorities," the Ambassador said.

Hint From a Kingmaker

Such pronouncements violate the unwritten rules of the succession, but Mr. González Guevara is not alone in casting aside the old rules. Political observers here have been most surprised by the unusual behavior of Fidel Velázquez, the 87-year-old president of the Mexican Labor Federation, who is widely regarded as the second most powerful man in Mexico.

In oblique statements and public appearances, Mr. Velázquez has made it known that he favors Mr. del Mazo and has little use for Mr. Salinas.

Presidents generally consult kingmakers like Mr. Velázquez but the final decision is theirs alone.

The dissidents owe much of the attention they have received to the remarkable lineage of Mr. Cárdenas. As the son of Lázaro Cárdenas, president of Mexico from 1934 to 1940 and a founder of the party, he commands a great deal of moral authority.

Though party leaders have lambasted the Democratic Current as a "fifth column" and "Trojan horse" intended to weaken and divide, they have hesitated to expel Mr. Cárdenas. They are said to fear that he will either challenge the President's eventual choice and run against him as a second PRI candidate or, perhaps even worse, agree to become the standard-bearer of a left-wing coalition under the Socialist banner.

Mr. Cárdenas has done nothing to dispel these concerns. He continues to advocate nationalist and populist economic policies that, while reminiscent of his father's positions, clash sharply with those of Mr. Salinas and Mr. del Mazo.

"I plan to keep on doing exactly what I have been doing," Mr. Cárdenas said.

Washington Seems Unsure Whether SS-24 Is Something to Worry About

A New Russian Missile Gets Mixed Reviews

By MICHAEL R. GORDON

JESSE HELMS and Viktor P. Karpov do not often agree, but the Republican senator from North Carolina and the Soviet arms-control official are in accord on at least one important matter — the new Soviet mobile missile, the SS-24. Senator Helms said recently that Moscow was in the initial stages of deploying the 10-warhead SS-24. The Reagan Administration backed him up. And last week, Mr. Karpov confirmed that Moscow was indeed moving to deploy the weapon.

This has been long expected, American officials say, but as yet, only a few SS-24's have been detected leaving Soviet factories, and the missile does not appear to be fully operational. Nor does it appear to be a cause for concern for some Administration experts, who maintain that the SS-24 lacks the accuracy and payload capacity to threaten American missile silos.

Nonetheless, the SS-24's have revived debate among American experts over whether Soviet development of mobile land-based missiles would be welcome or alarming. The new missiles have also figured in the ongoing

dispute over whether the Russians are adhering to the 1979 strategic arms treaty.

There appears to be little question that the Russians are turning to mobile missiles in a big way. Last spring, the Pentagon said Moscow had already deployed about 100 SS-25's, which carry a single warhead and are mounted on truck-like vehicles. Intelligence experts also predict the Russians will produce SS-24's in quantity, deploying them initially on rail cars, and later in silos.

Diverting Defense Rubles

The new weapons appear to be the Soviet answer to the American MX and the submarine-launched Trident-2 missile, which is now being tested. Both are highly accurate, according to the Pentagon, and add to the American ability to knock out Soviet missile silos, thus encouraging the Russians to "go mobile."

There is disagreement in the Reagan Administration about the Soviet move. At first, some senior officials cast the development in a positive light. James P. Wade Jr., then a ranking Pentagon official, said in 1981 that the mobile missiles should be welcomed. Since Moscow could move the missiles about, it would not be afraid of losing them in an American attack and would be less likely to

fire them in haste in a crisis.

"We would like to move the Soviets in the direction of enhanced stability for us," Mr. Wade said. He added that stability would be improved if the Russians put land-based missiles "in other modes than silos."

Fred C. Ikle, Undersecretary of Defense for Policy, also said in 1981 that the Pentagon had "a certain slight preference" for a Soviet decision to develop mobile missiles because it could mean that "more of their defense rubles have to go into the support systems, so they cannot concentrate all their assets on offensive capability and thus become a greater first strike threat against us."

More recently, however, the Administration has pushed for a ban on mobile missiles, arguing that they are hard to monitor. Some experts say that verification can be managed. Monitoring of the SS-24, for example, would be facilitated if the Russians would agree to keep them on special rail cars with recognizable features that would be restricted to special rail lines.

But in any event, a ban on all types of mobile land-based missiles appears unlikely. The Russians have firmly rejected the idea. And despite the proposed ban, the United States is hard at work on its own mobile missiles. The Air Force is developing a single-warhead mo-

bile missile and also wants to put some MX missiles, with 10 warheads each, on rail cars that would be kept on military reservations until a crisis occurred.

As for Soviet compliance with the unratified 1979 treaty, the Administration has asserted the Russians have exceeded at least one limit on the number of multiple-warhead missiles, by sending new submarines to sea and moving to deploy the SS-24's. Moscow has said it is staying within these treaty limits.

Though fraught with important political consequences, the Administration's objections are technical in nature. American experts say the Russians have taken some steps to stay within the limits of the strategic arms treaties signed in 1972 and 1979.

They have returned an old "Yankee" submarine to port for dismantling and have also begun to dismantle the cover of one SS-17 missile silo and withdrawn SS-17's from other silos. But the Administration has asserted that the Russians have not dismantled the other SS-17 silos, as the 1979 treaty requires, and thus have violated it.

Some American officials say privately that since the United States has repudiated both treaties, it is far from clear whether the Russians should be held to the exacting procedures laid out in the agreements. They argue that the recent Administration statements are primarily intended to undercut members of Congress who are sponsoring legislation to force the United States to adhere to the 1979 treaty ceilings.



Strikers outside an electronics plant in Changwon, South Korea.

An Aquino Rival Is Now a Senator

Juan Ponce Enrile, the former Philippine Defense Minister who helped Corason C. Aquino oust Ferdinand E. Marcos from the presidency 18 months ago, then turned against her and was dismissed, resumed his attacks on the Aquino Administration last week from his new position as a senator. He seemed ready to use the post in his role as the chief political opponent of the president.

Mr. Enrile, who was fired last year by President Aquino after a series of coups threatened to oust her, was awarded the last of 24 senate seats when the Supreme Court ruled against a recount of the election results. He is one of the two opposition members in the senate, with a popular movie actor, Joseph Estrada.

U.S. Urges Israel To Scrap the Lavi

Israel is the largest recipient of American aid, receiving about \$1.8 billion in military grants and \$1.2 billion in economic assistance yearly. And of this, Israel has been authorized under American law to spend \$550 million a year trying to produce a jet fighter called the Lavi.

Last week, the United States, having already put up about \$1.5 billion for the plane, urged Israel to scrap it. Officials in Washington contended that the program is too expensive and should be abandoned so Israel could spend its funds on other weapons.

"Given the budgetary realities we and Israel face," said a State Department spokesman, Charles E. Redman, "we believe a decision by Israel to terminate the Lavi would be in the interest of both our countries." Washington officials also said the statement was intended to influence

the upcoming deliberations in Israel, where the Cabinet is split over the issue. Some Israeli leaders argue that the nation needs to produce its own planes to create employment and to avoid being restricted to foreign sources. Yaakov Maltz, Israel's comptroller, stated in his annual report that the Government decided to back the Lavi program on the basis of "groundless, insufficient, tendentious and incorrect assessments of cost."

Chad's Toyotas Rout Libyan Tanks

Disdaining French advice to try international arbitration, Chad sent its desert fighters on a sweep into the disputed Aozou Strip last weekend, inflicting new defeats and humiliation on the Libyan forces occupying the area.

Chadians and diplomats in

Ndjamena, the capital, said Chad's lightweight Toyotas, armed with French Milan antitank missiles, knocked out 82 military vehicles, including 7 Soviet-built T-55 tanks. Outflanking Libyan defenses, the Chadians raced through mountain passes and dry riverbeds. They said they routed 1,000 Libyan soldiers, killing 650, and capturing Aozou village, 50 miles south of the border.

Chad said it beat back a counterattack, capturing 48 Libyans and more equipment. Daily Libyan air raids with rockets, fragmentation bombs and napalm burned half the village, according to Chad radio. Chadian losses were officially put at 17 dead, 54 wounded. Western diplomats say Chad accurately reports Libyan casualties, but often understates its own.

French President François Mitterrand rejected Chad's appeal for air cover in Aozou, a 100-mile-wide strip of desert and mountains, rich in uranium and historical ambiguity.

In colonial days, French and Italian imperialists awarded Aozou to the French. In 1935, France attempted to buy favor with Mussolini, signing over the strip to Italy, but the treaty was not ratified. Col. Muammar el-Qaddafi says Libya bought the strip from Chad in 1973, after both countries were independent, but he has never produced a bill of sale. Chad bases its claim on Organization of Africa rules maintaining the sanctity of former colonial borders.

Katherine Roberts, James F. Clarity and Milt Freudenheim

Correction

An article about the Persian Gulf in the Week in Review last Sunday incorrectly described Shiite Muslims as a minority in Bahrain. About 60 percent of Bahrain's population are Shiites and about 40 percent are Sunni Muslims.

Thousands Strike In the New Korea As Army Relents

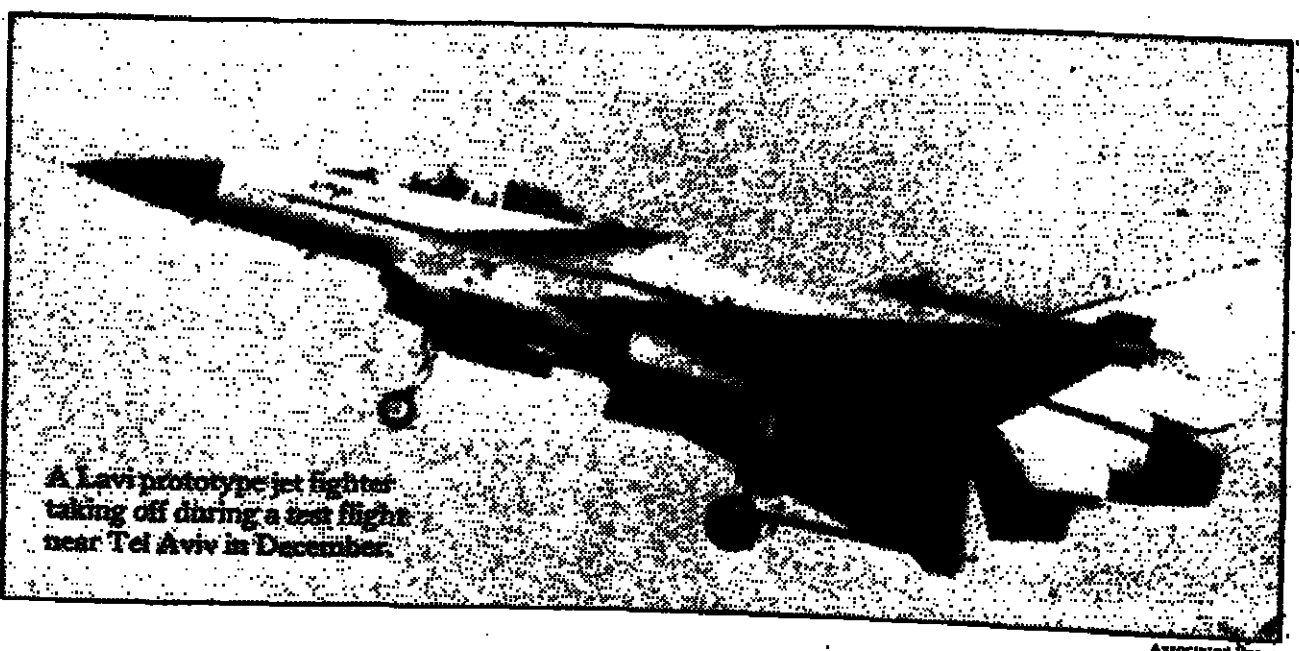
The South Korean economy has boomed with considerable help from 57-hour work weeks and \$1.75-an-hour industrial wages that enabled Korean exporters to undercut many competitors in the United States and other markets. The average hourly wage for American production workers, for example, was more than \$13 an hour in 1985.

For decades, military governments in Seoul kept labor under a tight rein, making strikes practically impossible, restricting unions and imprisoning labor organizers. The lid blew off on June 29 when the Gov-

ernment, giving in to street protests, promised direct presidential elections and other democratic changes. Last week, tens of thousands of South Koreans were demonstrating in the streets or staying away from work to demand higher wages and independent unions.

Widespread labor unrest was one of the reasons cited by the military attempting to justify army coups in 1981 and 1980. But last week, Defense Minister Chung Ho Yong, himself a retired four-star general, said the military fully supported the dramatic Government turnabout in June.

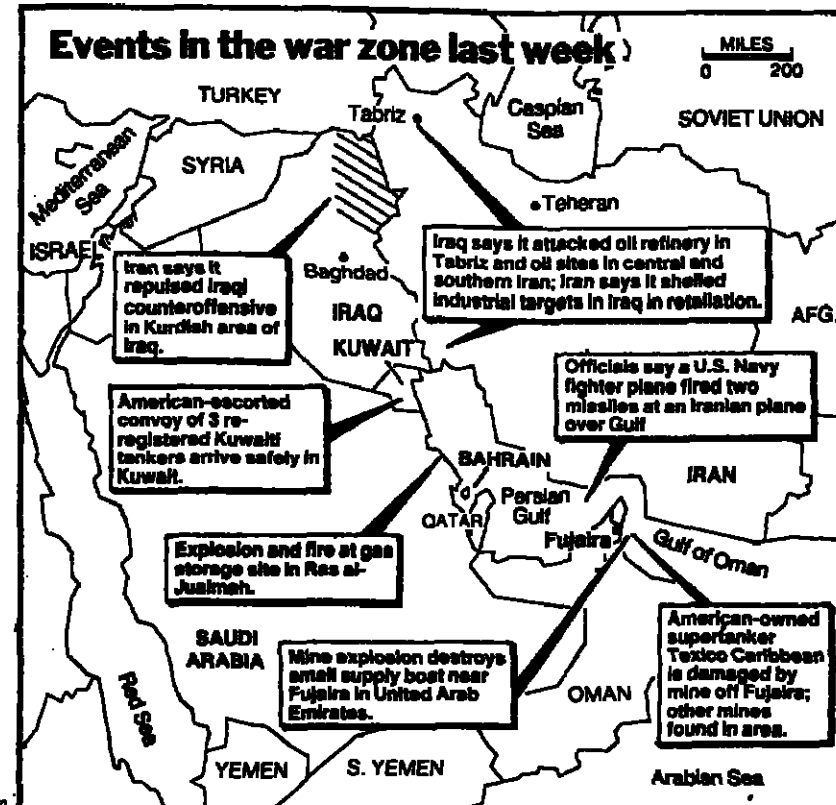
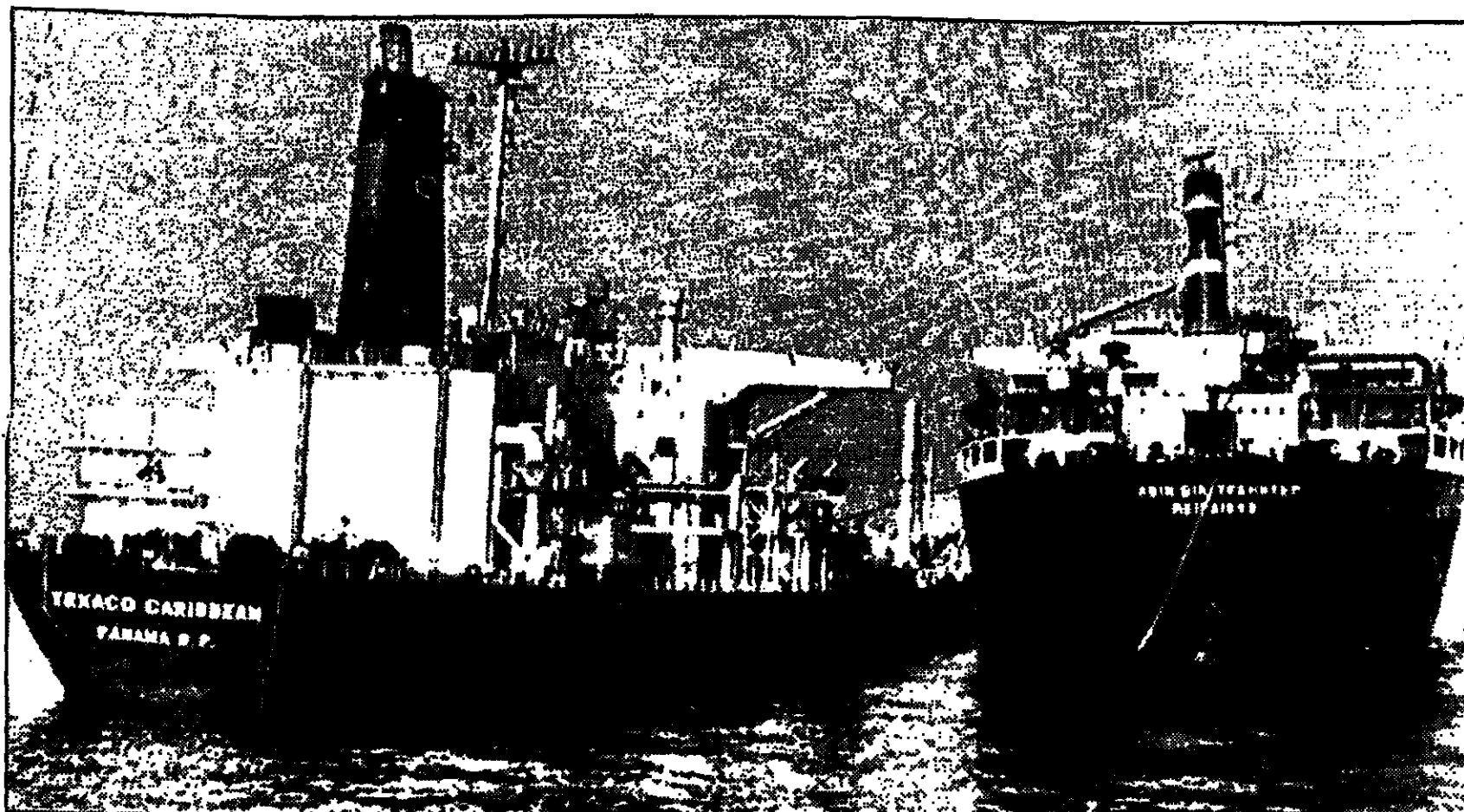
Pressed by opposition members of Parliament in an unusual challenge to the military, Mr. Chung publicly pledged army support for the next president.



A Lavi prototype jet fighter taking off during a test flight near Tel Aviv in December.

Associated Press

How Iraq Benefited From Its Attack on a U.S. Ship



The Texaco Caribbean, an American-owned supertanker that was struck by a mine off the port of Fujairah in the Gulf of Oman last week, is shown transferring its cargo of crude oil.

Unwritten Rules of Engagement in the Gulf

By JOHN KIFNER

ON May 17, an Iraqi fighter pilot drew an electronic bead on a ship sailing in the Persian Gulf. Seconds later, two Exocet missiles slammed into the hull of the frigate Stark, sending a fire raging through the cramped crew quarters, killing 37 American sailors. It is not known whether the Iraqi pilot received the Mercedes that Iraqi President Saddam Hussein customarily bestows on victorious pilots or the rather less pleasant rewards of those who displease the strongman. The pilot was not seen by the American inquiry team sent to Baghdad and has not been publicly mentioned.

But in an increasingly bizarre, contradictory and dangerous situation, the immediate effect of the Iraqi attack was that the United States mounted a risky naval deployment against not Iraq, but Iran, Baghdad's enemy in the seven-year-old Gulf war. By the end of last week, the United States had managed to escort three re-registered Kuwaiti tankers up the gulf, after an embarrassing beginning in which the ship they were protecting, the supertanker Bridgeton, ran into a mine, the most obvious hazard in the sea, for which the Americans were completely unprepared.

"It is really amazing that Iraq shoots up an American ship and as a consequence America moves closer to Iraq, I mean it's really amazing," said one of the most sophisticated Western diplomats in the region. "Of course, here, everybody believes in conspiracies, so it is hard to find anyone who thinks it was an accident. But it would be hard to predict this reaction, that relations with the United States would grow closer and there would be, at least for the short term, advantages for Iraq."

Ending the Lull

Iraq had, in fact, started what is known as the "tanker war" in the spring of 1983, in hopes of creating a crisis in oil shipping that would bring international pressure to end the war it had started by invading what Baghdad thought was a weakened post-revolutionary Iran in the fall of 1980. Now the hope of Great Power involvement seemed nearly realized, and, as if to stir the pot, Iraq last week broke a 25-day lull in the war by launching air raids on 11 inland Iranian oil sites.

Iran, in turn, sent a new ripple of fear through Sunni Moslem rulers in Kuwait, Bahrain and Saudi Arabia, all of whom have substantial Shiite Moslem populations, in the aftermath of rioting in the sacred city of Mecca. The deaths there of at least 400 Moslems, most of the Shiites, have threatened to inflame the major schism in Islam and rally the Shiite underclass to Ayatollah Ruhollah

Khomeini's mullahcracy. Yesterday, there were two more violent incidents in the region. An explosion ripped and burned an Aramco gas complex at Ras al-Jaish in the heavily Shiite eastern province of Saudi Arabia, appearing to be almost a duplicate of a blast set by a Kuwaiti Shiite in that country's Ahmadi oil field in May. Speculation spread that pro-Iranian Shiites had caused the blast. Casualties were reported. And just outside the entrance to the gulf, a floating mine blew apart a small supply boat at Fujairah, in what had been a safe United Arab Emirates harbor in the Gulf of Oman for some 60 ships there. One crewman was killed and six others, including the British captain, were reported missing.

Among the many contradictions were that — as the attack on the Stark proved — the warships that were supposed to protect the tankers were, in fact, more vulnerable than the tankers, whose thick iron hulls, are built so that sections can be sealed off in case of leaks. This means that by merely turning valves, their crews can limit damage and easily prevent them from sinking. No tanker, in fact, has been lost during the Gulf war.

After the Bridgeton hit the mine — a 1907 relic of czarist Russia — the high-tech American Navy warships had to slink behind the disabled tanker for protection. But perhaps the most important contradictions are political. The American intervention was largely manipulated by Kuwait, a nation slightly smaller than New Jer-

sey, with about 600,000 citizens. Kuwait, seen in Iran as ally of Iraq, warned that Moscow would send its ships if America did not. The Russians quickly sent three mine-sweepers, a rather low profile. The Soviet threat only underscored the main thrust of American policy: to reassure the self-styled moderate Arab states of Washington's support, which has long been questionable. Disclosure of the secret arms deals with Iran had made this policy goal all the more compelling, as Washington had been selling arms to Iran, the major menace to the Arab regimes Washington said it supported.

Iran's Vital Route

The major contradiction was that if the United States achieved its stated goal of free navigation in the gulf it would aid not Iraq, but Iran. Iraq no longer ships oil through the gulf, but the waterway is Iran's most important economic lifeline. Iraq's oil port at Fao was closed for years, then captured in the war, and Iraq gets its oil out by pipeline through Turkey and Saudi Arabia. But for Iran, the gulf shipping is the vital route for about 1.8 billion barrels of oil a day. Iran has shown advantages of manpower and spirit over Iraq, and Iran's main potential weakness is a cutoff of money from oil exports.

"The Iranians, as always, are very sophisticated and smart. They have not said yes and they have not said no," said the Western diplomat, referring to the recent United Nations cease-fire resolution. He suggested that Iran might take provocative military action, avoid blame, but bait Iraq into retaliation. "I have a feeling that they will maneuver to make Iraq the most flagrant violator and thus liable to sanctions."

A Voice From Madrid



A cafe discussion group in Valencia (left); marchers in Barcelona protesting Basque terrorism; statue of Francisco Franco in Madrid.

Beryl Goldberg (left); Gamma-Liaison/Georges Bartoli (marchers); J. B. Pictures/E. Montev (statue)

Spain Is Learning to Cope With Democracy and Progress

By JOSE ANTONIO MARTINEZ SOLER

EVERY day, indifferent Spaniards stroll past the 20-foot-high bronze equestrian statue of the dictator, Francisco Franco, on a Madrid avenue. A tattered flag and withered wreath linger as tributes by nostalgic followers of fascism.

Francisco's death 12 years ago ended the military dictatorship that followed Spain's bloody civil war of 1936-39. Unspoken national complicity among 38 million Spaniards, rather than dreams of retaliation, helped restore democracy in a remarkably peaceful transition. Fear of another civil war favored consensus between once-persecuted democrats and Francoists turned democrats overnight.

But the balance is filled with contrasts of joy and disillusionment. In June 1977, three-fourths of the electorate voted for the first time. We felt like children with new shoes, one vote a First Communion with democracy. Without the protection, isolation and repression of the dictator, it was like leaving an authoritarian boarding school to find ourselves in the street on our own. However, in the street, one can find not only the glittering marvels of progress, but also such horrors as drug abuse, crime, terrorism and unemployment in previously unknown proportions. There were other democratic novelties, too: taxes to be paid, higher prices, and even liberated women who talked back to macho husbands or bosses, demanding equal rights.

José Antonio Martínez Soler, former foreign editor and business editor of the Madrid daily *El País*, is the United States correspondent for the weekly news magazine *El Globo*.

At first, it was easy to dilute our own responsibility, blaming the dictator for our inherited historic and modern evils. And we were not lacking in justification. But today, and each succeeding day, Franco is less and less to blame for our present ills.

Initially, we believed our young democracy, born without pain with the help of King Juan Carlos I, would miraculously solve problems stemming back four centuries. Unfortunately, Spanish democracy was born during a worldwide recession, while the last 15 years of dictatorship had coincided with general Western prosperity. Our enormous expectations contrasted with the harsh reality of the 1980's, producing disillusionment, a sort of postpartum depression or post-Franco blues. And the benefits of the new democracy were hard to measure for generations that know nothing or remember nothing of the hunger and underdevelopment, the generalized repression and torture, the insecurity or arbitrariness of dictatorship.

After managing our double transition, from dictatorship to democracy and underdevelopment to industrialization, Spaniards sought another panacea. Europe became the magic word. Last year, Spain joined the European Community. But then our borders opened to better quality and cheaper products that endangered obsolete companies that had survived because of tariff protection. These companies are closing down, being restructured or being sold to European partners. But this adjustment to the real world now totals some three million unemployed — slightly over 20 percent of the workforce. Half of these are young people.

Meanwhile, old legislation and customs still discourage flexibility. A battle between old and new values is raging. The older generation has been brutally and prematurely retired by yuppies who now dominate the state and society. The rhythm of change

is inharmonious and unequal — magnificent cars but no way to organize traffic, or even to pass a mule cart.

Twentieth-century laws have been added to a 19th-century judicial system crippled by lack of resources and cumbersome bureaucracy. The police — who were efficient in controlling illegal student and labor unions and political parties and who had kept files on half the population, including Felipe González, now the Prime Minister — are now at a loss to control delinquency, drug gangs or terrorism. For many, it is no consolation that these are problems common to other democracies.

New Tolerance

Spanish society, once desertized by the omnipresent totalitarian state, now defends local and regional rights against the inertia of strong central government. Intermediary cultural and political associations, informal cafe discussion groups (tertulias) banned by the dictatorship, have returned to create a stronger fabric of society. The armed forces and Roman Catholic Church, pillars of the former dictatorship, have submitted to civilian sovereignty.

New comprehension and tolerance is substituting, albeit slowly, for traditional violence and fear. Tolerance, however, has not yet reached some corners of the northern Basque country, from which minority separatists with frankly racist claims sow terror with bombs and assassinations.

A new generation, born in the 1950's without electricity and running water, is maturing in the 1980's with computers and satellites. In 30 years, Spain has gone straight from the third world into the first. We are now closer to France than Morocco. Africa no longer begins at the Pyrenees. In foreign policy, we are finally aligned with our neighbors of the European Community and reconciled, at last, with Jewish Se-

phardic ancestors expelled in 1492. Last year, Spain established diplomatic relations with Israel, without, however, renouncing fraternal Arab ties.

But we have one subject still pending: our love-hate relationship with the United States. Admiration is combined with fear, imitation of the American way of life with resentment. The banana republic treatment Washington accorded Franco Spain has not changed with democracy, wounding national pride. Spaniards voted in last year's referendum to join the North Atlantic Treaty Organization, in exchange for a significant reduction of American troops stationed here. But Spain is also obliged to adopt less-ambiguous positions in the defense of the West and behave like a strong ally rather than a weak colony protected by Washington.

Relations are cooled by negotiations to reduce American troops that remain, a reminder of the original sin of supporting Franco's dictatorship, which was previously bolstered by Hitler and Mussolini. At the same time, Spaniards are feverishly learning English and sending their children to America. The United States is the most admired country in opinion surveys, although it is in a fourth-place tie with Russia as a threatening or feared country, following France, England and Morocco.

Freedom is working miracles, notably in growing self-esteem and gradually disappearing fear — after almost 400 years of Inquisitions. Before the 1977 election, Felipe González had a dream: "The day will come when a knock on the door at dawn will mean nothing more than the arrival of the milkman." Now, knocking at dawn no longer means the police or Civil Guard, although it doesn't mean the milkman, who has been phased out by supermarkets. It's probably our teen-agers returning from a party without their housekeys.

The Nation

Stocks Zoom, But Economy Is Dawdling

By LEONARD SILK

WHILE Wall Street was cheering the fifth anniversary of the big bull market that had carried the Dow Jones industrial average from 776.92 on Aug. 12, 1982, to a record close of 2,691.49 Thursday, some experts were worrying that the economy was ready to throw the stock market a curve.

A Phillips curve, to be exact. Named for the British economist A. W. Phillips, the theory holds that when the unemployment rate falls, the inflation rate moves upward. The logic is that when labor markets tighten, wages rise, pushing up prices.

In July the nation's unemployment rate fell to 5.9 percent, an eight-year low and a full percentage point below its level a year ago.

Even more striking has been employment growth: The number of jobs has increased by 12 million since President Reagan took office. Though the service sector has provided the bulk of the growth, with manufacturing jobs falling a million overall, last month there was a 70,000-job spurt in manufacturing.

At the same time, inflation has been rising in recent months. Where the Consumer Price Index went up by a mere 1.1 percent in 1986, so far this year it has risen at a rate of 5.4 percent. The producer price index, measuring the wholesale prices that businesses pay for finished goods and raw materials, has turned around even more sharply. After dropping 1.7 percent last year, producer prices rose at an annual rate of 2.9 percent in the first quarter and 5.4 percent in the second quarter this year.

Is all this an ominous indication of an unemployment-inflation trade-off? Are threats of labor shortages and wage escalation so great that the Federal Reserve will be forced to tighten money, driving up interest rates and knocking down the stock market and the economy?

In fact, the economy, unlike the stock market, has not been booming. After growing at a rate of 2.9 percent last year, the real gross national product, the total output adjusted for inflation, stepped up to 4.6 percent in the first quarter, then fell to a 2.6 percent growth rate in the second quarter.

Disposable Income Drops

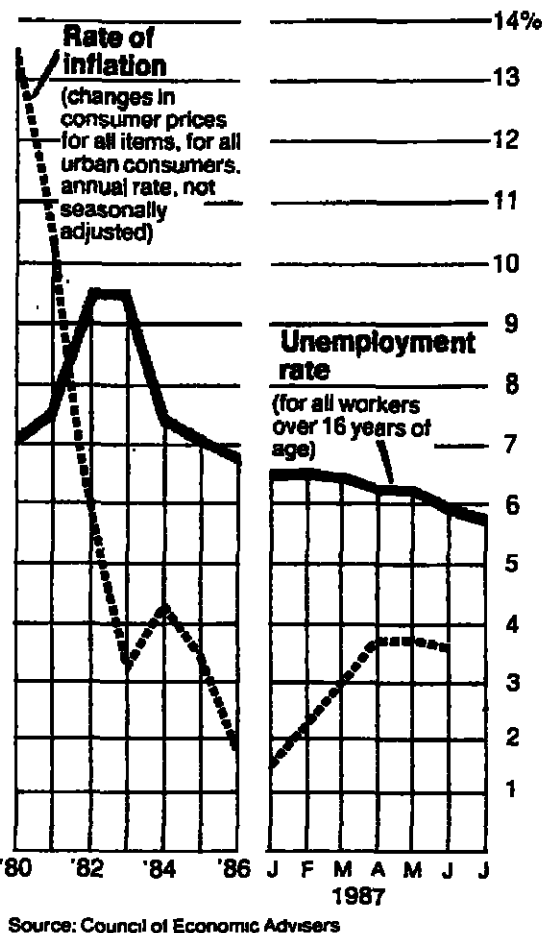
The rates were slower than they looked, because much of the gain came from the piling up of inventories that did not move off warehouse shelves — or were not driven away from the auto dealers' lots. Final sales — total national output minus the increase of inventories — scarcely grew in the first half of 1987.

Consumers have simply not had enough money to spend on cars, housing and other items to send the economy spiraling upward. Disposable personal income — the amount of money consumers have available to spend or save after deducting taxes — has been rising slowly, but, after adjusting for inflation, it actually dropped 4 percent in the second quarter of this year.

As yet, there is no evidence that the drop in unemployment is causing wages to start climbing faster, putting the inflationary heat on prices. In 1986, hourly earnings in nonagricultural jobs rose by only 2.5 percent. In the first half of 1987, the rate of increase in hourly earnings had been averaging only 2.2 percent over last year's, measured in current dollars. When measured in constant dollars, wages have fallen 1 percent below last year.

The upturn in inflation appears to be the result of international factors, not increasing wages. Oil prices have been rising, and markets for metals and other

Mixed economic signals



raw materials have recovered. The dollar is cheaper, causing import prices to rise and giving American producers greater leeway to raise their prices.

Are these forces likely to bring a speed-up in inflation as the year wears on? "Concerns about a continuing reacceleration of inflation are exaggerated," said Beryl W. Sprinkel, chairman of the President's Council of Economic Advisers. He said the inflation rate was already moving down to the 4 percent range. The Labor Department said last week that the producer price index in July rose a modest two-tenths of 1 percent, providing evidence of slowing inflation.

Meanwhile, the international forces that have caused higher inflation now seem to be ebbing. Oil prices were given a sharp push upward immediately after the American refueling of Kuwaiti oil tankers, but have since fallen again as the threat of the closing of the Persian Gulf has receded. Sluggish growth in the world economy is not putting much pressure on commodity prices. And, after its steep fall in 1985 and 1986, the dollar has stabilized and even risen again.

With the big United States trade deficit still dogging not only producers but politicians, the country has been pressing foreign central banks to intervene in exchange markets to prevent the dollar from rising further and inflicting new damage on American exports. The Commerce Department reported Friday that the trade deficit was \$15.71 billion in June, an all-time monthly high.

The danger remains that the chronic budget deficit could be the undoing of the American economy and securities markets. Last week, in his televised address, President Reagan renewed his request for a constitutional amendment requiring a balanced budget.

"We must face reality," he said. "The only force strong enough to stop this nation's massive, runaway budget is the Constitution."

This could become an issue in the election campaign. Vice President Bush has indicated his strong support for such an amendment. But the Democrats, who point to the huge growth in the debt during the Reagan Administration, are likely to brush off the President's proposed constitutional solution as a political red herring that might have a perverse effect in a recession by forcing steep spending cuts or tax increases when the economy is already falling.

In the end, the job of economic management is likely to depend not on the fiscal actions by a divided Republican White House and Democrat-dominated Congress but on the monetary policies pursued by Alan Greenspan, sworn in last week as the Chairman of the Federal Reserve Board, and his colleagues. The Fed seems sure to lean against the wind of inflation in the coming year, but not too hard, since pressure coming from the other axis of the Phillips curve, falling unemployment and tightening labor markets, does not yet seem excessive.

Mr. Greenspan may get the honeymoon any new Fed chairman would like in an election year. If so, the stock market, ever fearful of rising inflation and interest rates, can relax for a while.

Both Sides Try to Sway 13,000 Lawyers

Debate Over Bork Dominates Bar Association Convention

By E. R. SHIPP

THERE were life-and-drum ensembles, actors dressed as Dolley and James Madison, and reenactments of events of 200 years ago, but as a topic of discussion at the American Bar Association convention last week, the bicentennial of the Constitution took a back seat to Judge Robert H. Bork.

Judge Bork's nomination to the Supreme Court has galvanized lawyers as to few issues not directly related to their practices. The message from supporters and opponents of Judge Bork was clear: This appointment is much more critical than President Reagan's previous two, Sandra Day O'Connor and Antonin Scalia.

It is especially important that Judge Bork, unlike those appointees, would replace a pivotal vote on the Court. But his conservative judicial philosophy would almost certainly be an issue in any event. "There is no ordinary nomination at stake," said Senator Joseph R. Biden Jr., Democrat of Delaware, who as chairman of the Judiciary Committee will preside over the confirmation hearings and who has said he will probably vote against Judge Bork. "This is no ordinary nominee."

On that point he seemed to agree with the Rev. Jerry Falwell, leader of the Moral Majority and the PTL Ministry, who has sent letters to his followers asking them to press their senators to confirm Judge Bork. "As I see it," he told the lawyers, "the President's chief legacy will be what he has done with the Federal judiciary. Long after he's gone and forgotten — whether you like him or dislike him — at the district level, the appellate level and the Supreme Court level, his mark will remain."

The convention here was not an unlikely forum for debating the Bork nomination. For one thing, the bar association has an official role in the confirmation process: its committee on the Federal judiciary is investigating the nominee and will report to the Senate next month. In

addition, the annual meeting, which drew more than 13,000 lawyers and at least 100 journalists, provided an opportunity for both sides to get their messages across.

At panel discussions, no matter what the topic, questions about Judge Bork arose. After a session on the Establishment Clause of the First Amendment, for example, the discussion turned into an all-Bork hour.

The Senate's Job

The underlying question was the one being asked in many quarters: Should the Senate in its advice-and-consent role confirm a nominee who is qualified in terms of scholarship, judicial temperament and moral rectitude but whose political ideology is objectionable to some?

Making the case for Judge Bork were Attorney General Edwin Meese 3d, who commended his "approach to the judiciary"; former Chief Justice Warren E. Burger, who said Judge Bork was the most qualified nominee to come along in 50 years; and Mr. Falwell, who said that if President Reagan likes Judge Bork then so does he.

Many opponents, including groups representing women, blacks and homosexuals, say Judge Bork's views are antithetical to civil rights and civil liberties. Moreover, they contend, he is more of a judicial activist than he lets on.

Prof. Louis B. Schwartz, an antitrust specialist at the University of California's Hastings Law School, said Judge Bork "is bad business." At a forum sponsored by several groups opposed to Judge Bork, Professor Schwartz said: "I very much fear a real, though hidden, authoritarian, and I very much fear a real, though hidden, threat to the legitimacy of our Court."

Whether singing Judge Bork's praises or painting him as a public enemy, those who were speaking their views focused on the importance of the nomination.

"The Court is about to change," Senator Biden said. "For why, if that were not true, would every interest group, left and right, be mobilized in a way that they have not been for a hundred years?"

Verity Chosen A Surprise For Commerce

It was a surprise all around, though a pleasant one to most businessmen and legislators, when President Reagan chose C. William Verity Jr. to head the Commerce Department. In two weeks of speculation about a successor to Commerce Secretary Malcolm Baldrige, who died July 25 after a steering accident, Mr. Verity's name had not come up.

But Mr. Verity is no stranger to Washington. As chairman of the diversified steelmaker Armco Inc., which was founded by his grandfather, Mr. Verity lobbied for protection for his industry; as chairman of the United States Chamber of Commerce, he battled Federal rules that he said made American industry less able to compete abroad. He won Mr. Reagan's confidence as head of the President's 1981 panel studying private sector support for social programs; the two men "just clicked," another panel member said.

Business leaders praised the nomination, though many had pressed for a Commerce Department insider, arguing that such a man would be less likely to drop some stitches in Congressional and international negotiations on trade.

In announcing the nomination Monday, President Reagan said Mr. Verity "understands the importance of expanding international markets, maintaining our competitiveness and enhancing our export capability."



C. William Verity Jr.

Mr. Verity has long been an outspoken advocate of more nonmilitary trade with Communist countries, saying the United States was "shooting itself in the foot" by imposing export controls on political grounds; some conservatives are looking askance at that record, but the Senate is expected to give the nomination quick approval.

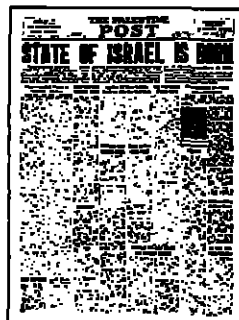
"I look forward to trying to help you in the job of making this country more competitive," Mr. Verity told the President on Monday.

Airspace Intruder Reagan Copter In Close Call

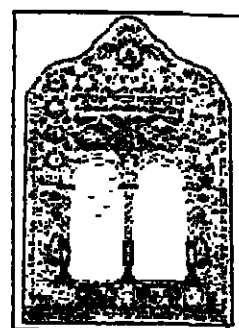
ADAY after the Government cracked down on private planes in the skies over Southern California, a small Piper Archer came dangerously close to the helicopter carrying President Reagan and his aides to his ranch near Santa Barbara. The plane, strayed into the restricted airspace over the ranch Thursday afternoon, forcing the helicopter's pilot to veer to avoid the craft; they passed within 200 to 300 feet of each other. The plane's pilot was identified as Ralph W. Myers of Lake Oswego, Ore. After he landed at an Orange County airport, he was detained and released, and the Federal Aviation Administration evoked his license. When it was learned that he was an AWOL Army private, he was taken back into custody.

The incident focused attention on the growing problem of pilots flying where they are not supposed to be. Two days earlier, a small plane had come within 100 feet of an American Airlines jet near Los Angeles International Airport. That incident — which recalled the midair crash near the airport of an Aeromexico jet and a private craft a year ago that killed 82 people — prompted the F.A.A. to issue an emergency order tightening restrictions in the airspace over Los Angeles. The agency said there have been 51 near collisions over Southern California in the last year, triple the number in the previous year.

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At Stratford, Two Actors Reach for Olivier's Laurels

Though the spotlight is on Antony Sher the most notable production is 'Titus Andronicus' starring Brian Cox.

By MEL GUSSOW

Revenge abounds on Stratford stages this season, beginning in the Swan Theater with a visceral production of "Titus Andronicus," Shakespeare's bloodiest tragedy, and extending to the main stage where Antony Sher is performing "The Merchant of Venice" and "Twelfth Night" in repertory. Though the spotlight is on Mr. Sher after his inspired "Richard III," the most notable production is "Titus Andronicus," as directed by Deborah Warner and as acted by a cast headed by Brian Cox. With this production, Ms. Warner, founder of the small classical Kick Theater Company, makes an auspicious debut at the Royal Shakespeare Company, and Mr. Cox adds further certification to his position in the front ranks of English actors.

The Stratford "Titus" is a headlong plunge into the heart of a piercingly dramatic tale of savagery and vengeance, albeit one of the least performed of Shakespeare's plays. I first saw "Titus" many years ago in London in the legendary Peter Brook version, starring Laurence Olivier in the title role, Vivian Leigh as Titus's maimed daughter, Lavinia, and Anthony Quayle as the amoral Aaron the Moor. That particular performance was made additionally memorable by the fact that Winston Churchill was also in the audience, presumably murmuring Titus's lines along with Olivier.

While one could not pretend that any production could match the Brook version, or, rather, what seems to be one's memory of it, the current Stratford production is close to that mark — and the Swan, as a reproduc-

tion of a Shakespearean theater, is its ideal setting. At the Swan, the audience is enveloped in the tragedy, rather than being distanced from it, as is sometimes the case on the main Stratford stage. With the barest of scenery and props, the play communicates so directly that theatergoers in the front rows occasionally flinch from all the stage blood and thunder. This is, of course, the play where half the characters lose their lives, or, at least, a limb. In the grand guignol conclusion, Titus, dressed in a butcher's apron and looking like a fugitive from an abattoir, serves the loathsome Tamora a pie whose ingredients include her jackal-like sons.

Though a director could emphasize the play's grotesqueries, Ms. Warner goes in the opposite direction, playing "Titus" for its heightened reality — and Mr. Cox is her powerful spokesman. His Titus is a peasant warrior, grizzled, plain-spoken and given to outrageous fits of temperament. He believes, wrongly, that his first obligation is to the head of the Roman state, and it is only after others have committed several murderous deeds that he becomes aware of a greater responsibility. Taking revenge, Mr. Cox becomes a tank on the warpath. Stocky, stolid, the actor looks like a huge blunt object and when, at the play's conclusion, Derek Hutchinson, playing his sole surviving son, picks up the dead Titus in his arms, one marvels at the younger actor's strength. Mr. Cox is the opposite, in all senses, of a light Titus. The performance is, in fact, one step from "Lear."

In addition to Mr. Hutchinson, others in the cast are equally striking, starting with Estelle Kohler's Tamora. The actress plays her character not as a wicked witch but as a queenly bird of prey, at once sensual and manipulative. As her sons, Piers Ibbotson and Richard McCabe are as repulsive a pair of villains as could be imagined, and there are also resilient performances by Peter Polycarpou as Aaron, Donald Sumpter as Titus's temperate brother and Sonia Ritter as the tragically abused Lavinia.

In his quest for the Olivier acting crown, Antony Sher has chosen to follow Richard III with Shylock and Malvolio, the latter, one would have thought, for variety. Actually, the two performances are not so distant. The director in both cases is Bill Alexan-

der, who also staged Mr. Sher's "Richard III." The approach to "The Merchant of Venice" is straightforward and melodramatic. Clearly, the purpose is to show the virulent prejudice that was endemic to Venice of the period. Everyone spits on Shylock and curses him to his face. He does not, however, earn one's pity.

Mr. Sher's Shylock seems to have no redeeming feature, not even, as is traditional, an old man's love for his daughter. In this production, Jessica seems just another encumbrance in a life totally dedicated to seeking revenge on those who have scorned him. Shylock brings a scimitar with

Buildings are whitewashed stucco: Illyria becomes a picture postcard Greek island. The setting is, however, not used to any particular advantage, remaining a backdrop for a play that is viewed somberly, taking its tone from Mr. Sher's Malvolio. In black beard, fez and tailcoat, he looks like, and, at times, seems as fierce as the Ayatollah Khomeini. In the production, Malvolio's discovery of the bogus letter — a scene of almost certain hilarity — draws no laughter, and neither does the scene in which he emerges boldly cross-gartered. While sacrificing the humor, Mr. Sher does manage to win a bit of sympathy



Antony Sher as Malvolio and Deborah Findlay as Olivia in "Twelfth Night" on Stratford's main stage.

him to court — and is fully prepared to use it. Mr. Sher's Shylock is sharply defined, but his approach lacks the emotional complexity of other recent Stratford performances in the role, namely those by Patrick Stewart and David Suchet.

The setting for "The Merchant of Venice" is dark with shadows. For "Twelfth Night," Bill Alexander, in effect, raises the Venetian blinds and saturates the stage with sunlight.

for the baleful steward, but, in the end, his performance seems merely eccentric — and too close to his Shylock.

Mr. Alexander has further challenged tradition by casting a thin and decidedly un-jovial Sir Toby Belch (Roger Allam, who does, however, belch frequently), and by staging Malvolio's dungeon scene in bright light, an approach that undermines the comedy in the harassment of the

Arts & Leisure

confined steward. Only David Bradley's Sir Anthony Aguecheek is amusing. As a result, the play tilts even more to the romance and to the interplay between Viola (Harriet Walter) and Olivia (Deborah Findlay). Both actresses are adept: Ms. Walter, in particular, delivers a charming performance. One additional benefit is that, for once, Viola and her brother (Paul Spence) look like twins.

While one would have to say that Mr. Sher's double act is disappointing, Mr. Cox, without fanfare, follows

though Mr. Cox's character seems to court danger.

Quite Mr. Cox's equal is Alan Armstrong as a once-celebrated film director (and Socialist) emerging from a state of alcoholism to make a propaganda film for Mr. Cox in support of the Conservative Government. Mr. Armstrong (who is also playing the title role in Marlowe's "Jew of Malta" at the Swan) warms to the promotional project to such a degree that Mr. Cox can say, "You're not just selling out. You're having a



Brian Cox as Titus Andronicus at the Swan Theater in Stratford-on-Avon.

up his Titus with a virtuosic change of pace in Doug Lucie's "Fashion," one of several contemporary plays alternating at Stratford's small studio theater, the Other Place. In this unrelenting indictment of political image-making and cutthroat business-as-usual, Mr. Cox plays a tough, career-minded advertising man, someone with no interior life. In the play's "hit-and-run culture," everyone is on his guard against back stabbing — al-

grand closing-down sale." The play is filled with pithy satiric comments ("Advertising is the revenge of business on culture"), as one would expect from the author of "Progress," a scathing play about social activism in Britain. In tandem with Caryl Churchill's "Serious Money" (now on the West End before it comes to New York), "Fashion" reveals a harder line of cynicism among English playwrights.

Asian Star Jackie Chan Plots a New Conquest

By HILDA C. WANG

Jackie Chan easily dispatches enemies with a karate chop or a kung fu kick, but his real problems come from his fans. Young Chinese and Japanese women cluster in his office, pleading for his attention with a passion that makes American film stars look unwanted by comparison. Twice, neglected female admirers have tried to commit suicide in his foyer.

Mr. Chan is the undisputed king of the Asian screen, the inheritor of Bruce Lee's mantle, a martial arts expert whose numerous films hold box-office records throughout Asia. His recent release, "Armour of God," broke Hong Kong's box-office records

nonball Run," and he is confident that with a few more American movies opposite stars, he will be famous in North American suburbs, not just in its Chinatowns.

"After a few similar movies, the U.S. audience will begin to know me," Mr. Chan said with his customary grin. "Then it will be Jackie, Jackie, Jackie all the way."

In a sign of the seriousness with which he is tackling the new challenge, Mr. Chan is focusing his interest on filming rather than on his extravagant hobbies. He has pared his personal fleet of 60 cars to about 20 (he could not remember the exact number), and he appears not to have added significantly to his collection of more than 1,000 pairs of shoes. Nor does he plan to acquire a serious girlfriend soon.

or underworld kingpins, with small budgets and short production deadlines of one to two months.

It is against this backdrop that Jackie Chan movies stand out, with their meticulous yearlong filming and multimillion-dollar budgets. Fans seem to appreciate the expense. Mr. Chan controls production, which is financed by Golden Harvest Ltd., the production company that launched Bruce Lee.

One reason for Mr. Chan's tremendous popularity is that he performs all of his stunts himself. He dangles from helicopters, crashes through windows, dives off planes and leaps off slopes. During filming in Yugoslavia for "Armour of God," a modern-day treasure-hunt thriller, Mr. Chan cracked open his skull when he miscalculated a leap off a castle wall. The accident resulted in brain surgery and temporary loss of hearing for the actor. No insurance company will underwrite a policy to cover his stunts.

Born Chan Kwong Sang to poor immigrants in Hong Kong, the actor was almost sold at birth to a British doctor for \$26 because, he said, his parents couldn't afford to feed him. Eventually, his parents found jobs cooking and cleaning for the French Consulate.

When Mr. Chan was 6 years old, his parents emigrated to Canberra, Australia, to work for the United States Consulate, (where they still work today). They enrolled their son for a 10-year stretch in the Chinese Opera Research Institute in Hong Kong.

An opera school in those days was more like a traveling circus. Yu Jim Yuen, the head of the school at the time, ran it strictly, teaching the students mime, acrobatics, singing and kung fu.

"The days, oh, they were so long," Mr. Chan recalled. "From 5 A.M. to midnight every single day, we had to work and train. Anyone performing below expectations was starved and whipped."

Mr. Chan is often likened to Bruce Lee, the martial arts expert who died in 1973 after becoming almost the only Asian actor to become well known in America. But while Mr. Lee specialized in action drama, Mr. Chan practically invented "kung fu comedy," in which martial arts are mixed with humor, with the actor himself often laughing — along with the audience — at his own antics.



The kung fu master who rules the Asian screen yearns for stardom in America.

in every category by taking in \$4.6 million in four weeks.

Now the boyish-looking millionaire is taking on perhaps the biggest challenge of all: he aims to break into the lucrative American market. It is an achievement that virtually no Asian film stars have achieved, and it will be doubly difficult for Mr. Chan, who has had only one year of formal schooling and speaks broken English.

But his path may be eased now that "Police Story," in which he plays a Buster Keaton-like cop, has been scheduled for this year's New York Film Festival.

The 33-year-old star, barely 150 pounds and 5 feet 10 inches in stocking feet, does not lack self-confidence. He already has played small roles in a few American films, including the 1981 Burt Reynolds movie, "The Can-

"Right now, I belong to the people," Mr. Chan explained. "I won't even contemplate any serious romantic commitment, because there is no guarantee what my fans would do."

Mr. Chan shot to fame in a 1977 Taiwanese swashbuckler titled "Drunken Monkey in the Tiger's Eye." A dozen more kung fu action films followed, with titles like "Fearless Hyena," "Dragon Lord" and "The Young Master," which firmly established him among Asian moviegoers. His movies, shown with English subtitles, play in theaters across Asia and in Chinese communities in the United States, Canada and Europe.

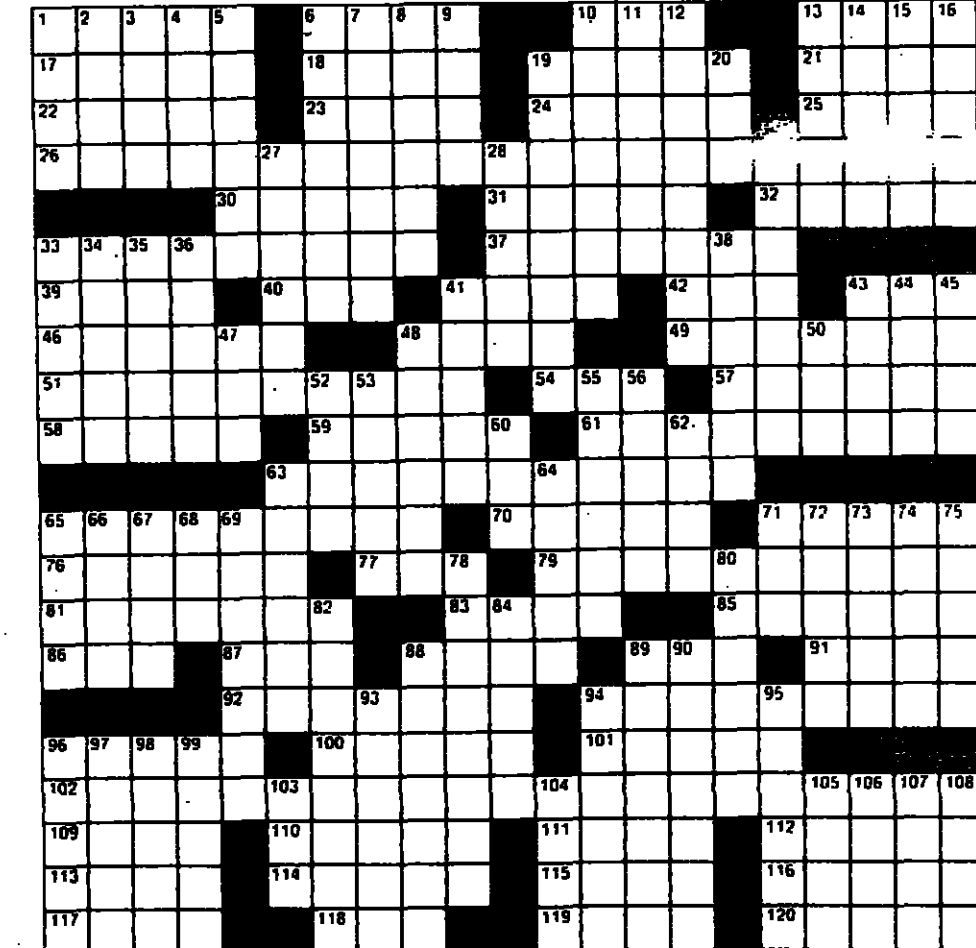
The quality of Hong Kong-produced movies is not usually celebrated by critics. The majority are low-grade efforts depicting slapstick comedians

Elvis

BY JOY L. WOUK/Puzzles Edited by Eugene T. Maleska

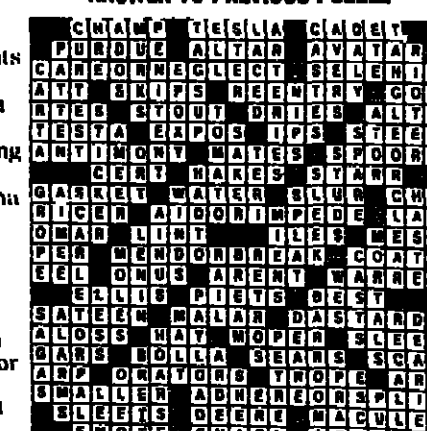
ACROSS

- 1 Molten-metal carrier
- 6 Memphis god
- 10 Parts of dolls
- 13 Danish cape, with "The"
- 17 Of oil
- 18 Hall in Hamburg
- 19 Snapshot
- 21 Londoner's subway
- 22 Third of a series
- 23 Pass receiver
- 24 Kind of quarter
- 25 Currid sounds
- 26 Presley recording song: 1963
- 30 One of the Hebrews
- 31 Wylie's "The Orphan"
- 32 Glacial ridge
- 33 Presley estate
- 37 Unfruitful
- 39 Peruvian clothing
- 40 Latin conjunctions
- 41 Anthropologist Margaret
- 42 She wrote "Delta of Venus"
- 43 Fannie follower
- 46 Colonel North
- 48 Legendary British king
- 49 Ecdysiast's covering
- 51 Ruel's Presley song: 1961
- 54 Abdul-Jabbar's gp.
- 57 Takes care of
- 58 "Pagliacci" role
- 59 Got on
- 61 Perfect Presley song: 1968
- 63 Hopeful
- 65 Autonomous region of NW Italy
- 70 Indo-Iranian
- 71 Weighs or weights
- 76 Team
- 77 H.S. V.I.P.'s
- 79 Presley avowed song: 1966
- 81 Excellent
- 83 Radio amateurs
- 85 Product resulting from cracking
- 86 Enzyme suffix
- 87 Ending denoting origin
- 88 Champagne town



- 2 Senator Cranston
- 3 Attica division
- 4 Tamarack part
- 5 Card game for two
- 6 Rodent robber-hoarder
- 7 Soup vessels
- 8 Brought into agreement
- 9 Diner order
- 10 What the Light Brigade did
- 11 Walk like a two-year-old
- 12 Oppressive
- 13 Facing a glacier
- 14 Farmer opposed to Soviet collectivization
- 15 White poplar
- 16 Hamelin's river
- 19 Banana plant
- 20 Yoko
- 27 Edmonton hockey team
- 28 Studio feature
- 29 Come again
- 33 Intersecting
- 34 Pouch-like
- 35 On foot, in Paris
- 36 Hollowed out
- 38 Supple
- 41 Jason's first wife
- 43 — on scene
- 44 Leaf cutters
- 45 Selves
- 47 Guido note
- 48 Commuter's delight
- 50 Sis, e.g.
- 52 Some switches
- 53 Lures
- 55 Emerald and aquamarine
- 56 Of a region
- 60 Genetic material
- 62 Rave's partner
- 63 Treat with a certain antiseptic
- 64 Small amounts
- 65 Cow, in Vigo
- 66 Down with, in Dijon
- 67 Long, swinging stride
- 68 Twos, in Roma
- 69 Violinist-composer Vivaldi
- 71 Toque or cloche
- 72 Patriot Allen
- 73 Kind of goal or trip
- 74 Pierre's aunt
- 75 Besmireh
- 78 Most transparent
- 80 "— evil"
- 82 Court jargon
- 84 Vicuña's milch
- 88 May zealot
- 89 Halo
- 90 Babble
- 93 Kissinger's — Restored
- 94 African desert wind
- 95 Lonely, in Fms
- 96 City in India
- 97 Try out
- 98 Yellow-fever vector
- 99 Wolflike carnation eater
- 103 Prefix with form or cycle
- 104 Electrical resistance units
- 105 New Rochelle college
- 106 — de Londres (ribbed silk)
- 107 Coal scuttles
- 108 Shoe insertion

ANSWER TO PREVIOUS PUZZLE



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Make Policy, Not War, in the Gulf

American sailors and ships in growing numbers are at risk in the Persian Gulf. To what purpose? At American request, Iraq holds off attacking Iranian shipping, so more oil leaves and more supplies arrive at Iranian docks. The fleet is the perfect foil for the radical demagogues in Tehran. Enjoying these benefits, the mullahs mine the path of American convoys and menace their Arab neighbors.

These results are surely not what President Reagan intends. Yet his policy is so confused about interest, ends and means, that the Administration takes on ever greater risks without much support or prospect of success. Mr. Reagan did not sort this out before departing on three weeks' vacation. Here are some considerations.

America's interests require preventing an unfriendly power from controlling Persian Gulf oil. Oil represents money, arms and power that can be used to undermine everything from Western economies to Israeli security. The main threat to that interest is now Iran, far more than the Soviet Union.

America's immediate purpose is to secure an end to the Iran-Iraq war with no victor. Stopping that war might reduce the volatility of the region, but would not remove the deeper problem — a regime in Iran bent on repression at home and subversion and terrorism abroad.

It was a mistake for the Administration to put American flags on Kuwaiti tankers. Oil was flowing through the gulf, and Kuwait could have been persuaded to deal with the problem without turning to Moscow. But now that the fleet is there, what next? A conciliatory American policy toward Iran would serve both sides' practical interests. Yet conciliation, already tried by France and by Mr. Reagan in trading arms for hostages, seems only to invite further Iranian aggression.

Passive containment of Iran, in essence the present policy, has some promise, as evidenced by

the fact that Tehran has not yet rejected the United Nations' call for a cease-fire in the Iran-Iraq war. But the present policy incites Iran to attack American assets indirectly, as with mines, in the hope of inducing Congress to force a withdrawal. It also leaves the initiative with Tehran, forcing Washington into a reactive stance. To face down Iran requires that Mr. Reagan take more active measures:

□ *Invoke the War Powers Act, and then present a coherent policy to earn Congressional backing.* The act will give Congress 60 days in which to support the President or, in the absence of a plausible policy, halt the naval buildup.

□ *Press hard on Western European allies and the gulf states for unity and joint action.* Halfhearted or covert support from Britain, France and the gulf states has only encouraged the mullahs to pursue their tactics of intimidation. A solid phalanx of opposition is something that might be understood even in Tehran.

□ *Dispatch a senior envoy to Moscow and Beijing to gain a halt to their arms shipments to Iran.* Neither has a long-term interest in arming such a disruptive force. That message should be conveyed by every Western leader in the strongest terms.

□ *Stress through every channel a readiness and capacity to respond to military attacks.* Representative Les Aspin has noted that if Iran's "invisible hands" continue to place mines in the gulf, perhaps other invisible hands can mine Iranian harbors, quickly halting Iran's oil exports.

All of these are essential to a workable policy. Without such a policy, the risks of further military improvisation in the gulf are too high.

America's goal is to contain Iran until a less fanatic regime emerges. Military force is not by itself a strategy. The Administration needs a plausible policy to build domestic support in Congress and diplomatic support abroad. Only then might Iran turn inward, and confront the nightmare into which Ayatollah Khomeini has dragged it.

The Candidates vs. the Deficit

If all the Presidential candidates' promises to wipe out the Federal budget deficit were laid end to end, the surpluses would stretch well into the 21st century. They agree, with disarming unanimity, that the deficit is terrible. They disagree on remedies. And they underestimate the difficulties. If they want to be taken seriously on one of the most serious issues, they'll have to do better.

Even as the 100th Congress blithely retracts the 99th's solemn commitment to cancel the deficit by 1991, the campaign debate begins with the premise that the budget must and will be balanced. A permanently balanced budget, if not a pipe dream, would be foolishly rigid. But, like the President, several candidates parade the phony virtues of a balanced budget amendment to the Constitution — Republicans George Bush, Bob Dole, Paul Laxalt and Pat Robertson, and Democrat Paul Simon. Republican Pete du Pont backs a variant.

When could this magic balance occur? Don't ask. Even if the amendment were a good idea, it would take years to ratify.

None of the candidates offer a convincing argument that the deficit can be cut sufficiently without raising taxes. Only Democrat Bruce Babbitt comes out foursquare for a major move. He proposes a national sales tax. That would be regressive, but he'd make it much less so by excluding food and other essentials and exempting more low-income taxpayers from the income tax.

Other candidates say absolutely no to any significant tax increase, or take refuge in phrases like "I won't rule anything out, but..."

Several candidates favor higher sin taxes — on liquor, cigarettes and such, and some would tax oil imports. Democrat Michael Dukakis sensibly presses for beefing up the Internal Revenue Service

to bring in billions in taxes that now escape collection. Democrat Patricia Schroeder has a fresh but mischievous idea: a "defense protection fee" on imports from allies unless they boost military spending. Sharing the security burden makes sense, but not with higher tariffs.

On the spending side, there is little innovation. That's no surprise. The possibilities have been scoured time and again: everyone knows which sacred cows could be cut. The next President must also anticipate a reverse problem — drumming up money for neglected programs like potholed highways, congested air lanes and other Federal responsibilities that have been cut too far, let alone new programs that need development.

The candidates glibly target the Pentagon for big savings. Democrats more than Republicans. Mr. du Pont and Democrat Joe Biden properly focus on farm subsidies, too. Mr. Babbitt speaks of a means test for entitlement programs, to insure that the benefits reach those most in need. Senator Simon banks on a massive public works program to net more taxes from expanded activity and lower the costs of high unemployment.

Vice President Bush has yet to free himself from Administration positions. Senator Dole, as the Senate's Republican leader, has courageously broken with his President on budget policy several times. But he knows the limits imposed by Congressional politics. Aside from calling for "hard choices" on further spending cuts and closing tax loopholes, he has failed to spell out his ideas.

If the past is any guide, the next President will find the deficit problem harder than he expects. The promises that the 1988 candidates have been making so far are not very promising.

Toyotas and Tanks

Chadian forces last week resoundingly defeated the forces of Muammar el-Qaddafi, which have long occupied much of their country. Chadian means are as pleasing as their goal: clever tactics to defeat the Libyans' advanced Soviet weaponry.

The Libyans held the town of Aozou, their last outpost in Chad, with Soviet-supplied T-55 tanks. The Chadians had nothing to match the tanks, but they mounted French-supplied Milan antitank missiles on Toyota pickup trucks. That still gives poor odds against a tank, so the Chadians devised the tactic of having two pickups race toward a Libyan tank from opposite directions firing missiles. The Libyan crew couldn't move the turret fast enough to track them.

"We know it's better to have a good Toyota than a T-55," says Ahmed Moussa-Mi, chief of staff to Chad's president. That's a fine advertisement for Toyota, an even better one for the ingenuity of the Chadian forces.

Sharing the AIDS Risk

Insurance companies have been beating the drum about the costs of AIDS, warning that they face bankruptcy if not allowed to test and exclude people carrying the AIDS virus. Though life insurance companies may have a case, health insurers at present do not. Governor Cuomo and James Corcoran, New York State's Superintendent of Insurance, courageously faced down the clamor and last week issued a regulation to bar health insurers from testing applicants for AIDS.

Topics of The Times

Does that unfairly burden policyholders who are not at risk from AIDS? The facts suggest not. The extra costs of AIDS are still small compared with the general inflation in medical costs. Most people are insured through group plans, for which the insurer can adjust the premium depending on last year's medical costs. Besides, insurance is about sharing risk. If the public does not bear the health costs of AIDS through insurance, it will pay in the form of higher taxes for public hospital treatment. The only difference is that in the latter case, AIDS victims have to spend themselves into penury to qualify for Medicaid.

New York has chosen the harder but more humane course.

Appetites

The carcass of a 40-ton whale, recently washed ashore at East Hampton, L.I., provided a meal for every shark within miles. It also provided a meal of sorts for sightseers, who came in droves to exclaim and shiver. The jump in the tourist trade more than made up for what it cost the town to keep people out of the water and to get the deceased off the beach. Burying a 40-ton whale is no cinch.

A few days later, a man dining on Manhattan's Upper East Side was the victim of a restaurant rebuff, a manner of murder that is distinctly, if not uniquely, New York. Did so unsavory an event hurt Bravo Sergio's business? No more than a shark's feast hurt tourists off the sands of East Hampton. The restaurant's business is booming, and for the same reason: the public's insatiable appetite for the macabre.

Letters

Why Our Persian Gulf Policy Is So Murky

To the Editor:

"Courting Disaster in the Gulf" (editorial, Aug. 4) raises a critical issue for the Reagan Administration: it must better explain its Middle East policy, or lose popular support. Too much explanation, however, could damage the interests of the United States. What the Administration appears reluctant to reveal is the extent of the vulnerability of Saudi Arabia and other Gulf Cooperation Council states to Iran, and the need for the United States to support these states:

• Iran has one million to two million battle-tested troops. Iraq has roughly a million troops, but if it were to fail, the Gulf Cooperation Council states have a combined force of only 200,000 troops, most of whom have never seen battle, to stop Iran.

• More than half the workers in Saudi Arabia's oilfields are Shiites, and thus prone to the Ayatollah Ruhollah Khomeini's pleas to overthrow the Saudis. Similar demographics hold true for other Gulf Council states.

• Defending most of the oilfields and pipelines would be nearly impossible, since they are too spread out. Given the scale of the producing fields, replacement parts for valves and other components destroyed through sabotage may be difficult to obtain in a timely manner.

• The Gulf Council states have a hodgepodge of high-tech weapons purchased from Western countries. On paper, the Gulf Council states should be able to defend themselves (assuming internal political strife can be kept to a minimum), until United States forces could arrive. However, it is questionable whether these high-tech weapons would actually work, especially if operated by Bedouin troops.

In defending its policy, the United States has stressed the need to pro-

tect the Persian Gulf sea lanes, and to halt Soviet expansion. These are true enough, but avoid the most critical reason for United States involvement: Iran must be countered before it can dominate the Persian Gulf region. It is thus understandable that State Department press briefings pay scant attention to the need to prop up the Gulf Council states, since this would only play into Iran's hands by providing ammunition for stirring up fundamentalists in those states.

In short, the State Department is walking a tightrope of disclosure. To say too much about the need to support the Kuwaitis and the others would undermine United States interests. On the other hand, if the United States continues to depict itself as simply a traffic cop of the Persian Gulf waterways, sticking its neck out where it does not appear to belong, popular support for the Administration's policy could wane.

Continuation of the Administration's policy of reinforcement in the least provocative manner possible seems absolutely essential. Sniping by Congress and our European allies is ultimately to Iran's advantage. The United States cannot pursue an isolationist policy in this case without risking a major foreign policy disaster that could dwarf the downfall of the Shah.

RICHARD B. THOMAS
Cambridge, Mass., Aug. 4, 1987

The writer is a research associate with an oil consulting organization.

Complied With U.S. Law

To the Editor:

Jordan Paust's letter (July 26), which asserts that the refueling of Kuwaiti ships is a violation of international law, is based on factual inaccuracies and faulty legal analysis.

The 11 Kuwaiti tankers complied with United States law (vessel docu-

mentation, 46 United States Code, Chapter 121) before refueling. They are subject to United States control and meet United States legal requirements concerning United States ownership, manning and safety. The vessels were inspected by the Coast Guard before United States registry. Certain national defense waivers were granted, pursuant to United States law, but only with respect to those specifications that exceed internationally accepted standards, and only for a limited time.

Contrary to Professor Paust's suggestions, the owners are subject to American tax and corporation laws. Similarly, the refueling is not "temporary"; should a vessel's owner wish to register the ship under some other flag in the future, permission of the United States Government is required. As United States-flag vessels, the ships are available to this Government for the Military Sealift Command. These prerequisites to and incidents of United States registration establish effective jurisdiction by the United States, and provide the "genuine link" with the United States that is called for in Article 5 of the 1958 High Seas Convention.

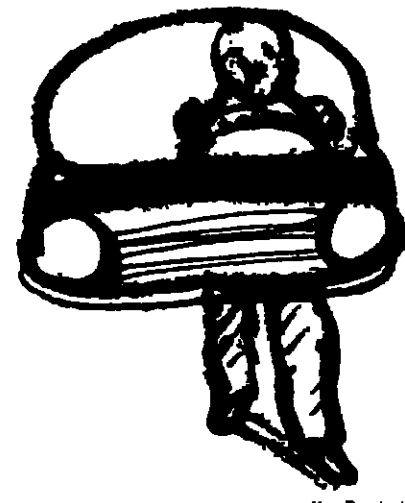
The shipping is not "to and from" one of the countries at war; Kuwait is not at war, and the vessels will not call at Iraqi or Iranian ports. The vessels, which are exercising their rights to navigate freely in these waters, are no fair targets, as Mr. Paust asserts. They will not carry contraband. Moreover, he inaccurately states that "President Reagan has already recognized that attacks on neutral shipping 'that was vital to Iran's economy' can be permissible"; the President said the opposite:

"Iraq did confine its raids, its attacks on shipping that was vital to Iran's economy. And Iran, when it responded... attacked ships that belonged to neutral nations that were getting oil and doing business with countries like Saudi Arabia and Kuwait and so forth.... We've always recognized that in a time of war, the enemy's commerce and trade is a fair target."

The United States has an unquestionable right to respond in self-defense to attacks on United States-flag vessels engaged in peaceful commerce and exercising freedom of navigation. Moreover, as a matter of international law, a state is not bound to delay its self-defense until actually attacked, if the circumstances indicate that an armed attack is imminent.

Mr. Paust conjectures that the United States intends to use the refueling to provoke hostilities with Iran. The opposite is the case. U.S. protection of the vessels is intended to deter rather than provoke military action by Iran; and to prevent the further spread of this conflict beyond Iraq to other states in the region. The United States is seeking to bring the Iran-Iraq war to an end, as demonstrated by our leadership in securing a United Nations Security Council resolution demanding a cease-fire and troop withdrawal to international borders. Ending the war will serve the interests of the United States and the states in the region. That is our goal.

ABRAHAM D. SOFAER
State Department Legal Adviser
Washington, July 30, 1987



stand why they can follow the full plot of "Rigetto" without a program, but could not find the Northern State Parkway on a road map if a dagger were pointed at them.

With many rent refugees leaving the metropolises, nondrivers are popping up more often in the suburbs. God bless us and keep us while we learn to drive.

PERRY BRASS
Orangeburg, N.Y., Aug. 3, 1987

Shaw's Long Goodbye

To the Editor:

James Reston's valedictory to writing regular columns (Aug. 2) was eloquent and well earned, but he erred in attributing a regular Spectator of London column to George Bernard Shaw. His longest stint, hardly to be compared to Mr. Reston's 30 years, was as music critic for The Star and The World, 1888-94, when he managed, as he put it, to induce even deaf stockbrokers to read his music notices, followed by four years as drama critic for The Saturday Review. But 10 years was more than enough for G.B.S.

The "fighting a windmill" line Mr. Reston alludes to came from Shaw's final Saturday Review column in 1898. "I am going off duty for ever," he concluded, "and am going off to sleep." But he kept writing elsewhere for 52 years.

STANLEY WEINTRAUB
Evan Pugh Professor of Arts & Humanities
Pennsylvania State University
University Park, Pa., Aug. 3, 1987

This May Be the Time to Limit the C.I.A.'s Role

To the Editor:

May a former official of the State Department call attention to a constant danger that has been highlighted by the undertaking of Rear Adm. John M. Poindexter and Lieut. Col. Oliver L. North to conduct foreign relations on their own?

Among the thousands of responsible agents that the United States maintains abroad to implement its foreign policy there is bound to be an occasional immature type who dreams of himself as operating, like another James Bond, in a romantic world of conspiracy. It is not implausible to imagine such an individual, stationed in some third-world country, deciding that it would be in the national interest for that country's government to be overthrown or for some rebel leader to be helped to power. Knowing that "those stupid bureaucrats in Washington" would say no to such a proposition, he undertakes to act on his own. We may plau-

sibly allow ourselves to imagine many variations on this possibility.

One would not ordinarily expect that any Director of Central Intelligence would, himself, represent this kind of immaturity — although the investigations of the Iran-contra scandal have not, so far, cleared William J. Casey of suspicion. However, it must in any case be a problem for an agency like the C.I.A. to control every one of the many operatives it has scattered over the world, some of whom are bound to dream of themselves as acting on their own to benefit their country and the world. (If it can happen in the White House...)

The inevitable risks inherent in such an organization as the present C.I.A., operating on such a large scale all over the world, must even raise the question whether it might not be better for it to be confined to the gathering and analysis of intelligence.

LOUIS J. HALLE
Salvan, Switzerland, July 28, 1987

Care for Those Who Can't Care for Themselves

To the Editor:

As a British-trained psychiatrist who has recently moved to the United States, I resonated sympathetically to the chord struck in "It's Still Calcutta, N.Y." (Topics of The Times, Aug. 9). Maybe New Yorkers have got used to the distressing sights on their subways and streets, but they are still disturbing to an outsider.

"Community care" of the mentally ill is a laudable concept, but has not been totally successful in England or this country. However, there are fewer mentally ill people in public places in Britain. This is partly because of effective action by the police, who are empowered to remove those deemed mentally ill to a place of safety (generally a hospital), partly because of different laws. The 1983 British Mental Health Act allows suitable physicians and approved social workers to detain the mentally ill in hospital for assessment and, if necessary, treatment.

The Times welcomes letters from readers. Letters for publication must include the writer's name, address and telephone number. Because of the large volume of mail received, we regret that we are unable to acknowledge or return unpublished letters.

Leashes for Biped?

To the Editor:

The per capita likelihood that a human in this country will murder another human is five times as great as the likelihood that a pit bull will kill a human. The probabilities of accidental fatalities caused by humans and such deliberate injuries as rapes and assaults are far greater. Referring to pit bulls as "dogs that have been bred to kill," you call for "a shorter leash" on them (editorial, Aug. 3). What then should be done about humans, who appear to have been bred to kill and maim one another at a much higher rate?

THOMAS F. SCHLAFLY
St. Louis, Aug. 3, 1987



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ABROAD AT HOME
Anthony LewisRefusing
To
Talk

A first step in resolving political conflicts is to get the opposing parties to talk to each other. That is often formidably difficult to arrange.

In the Middle East, Arab states refused for decades to talk with Israel; now a divided Israeli Government rejects an internationally sponsored peace conference. As peace plans are floated for Central America, an immediate problem is the unwillingness of the Reagan Administration to negotiate directly with Nicaragua.

And then there is South Africa, perhaps the most tormenting example of all. Its reality was brought poignantly home to me in a conversation here with a noted victim of the apartheid system. He is Tshenuwani Simon Farisani, Dean of the Evangelical Lutheran Church in South Africa.

Dean Farisani has been detained without trial for four lengthy periods since 1977 in Venda. That is one of the tribal homelands that South Africa has declared "independent" but that no other country recognizes.

During his first three detentions Dean Farisani was brutally tortured: hung upside down, given electric shocks, beaten. He suffered two heart attacks. Protests by Amnesty Inter-

Blacks
still want
to negotiate
in South
Africa.

national and others helped win his release.

The most recent detention was from Nov. 22, 1986, to last Jan. 30. This time, he says, he was not physically assaulted. But he was questioned from five to 10 hours a day, and threatened with death for himself and members of his family. The effects on his mind were more traumatic. After his release he found that he could not concentrate.

For the last five months Dean Farisani has been at the Center for Torture Victims in Minneapolis. It is the third such center in the world, following others in Copenhagen and Toronto.

Dr. Barbara Chester, a psychologist who directs the Minneapolis center, said it was not unusual that psychological methods had a more traumatic effect on Dean Farisani. "He was evidently prepared for physical torture," she said when I telephoned her. "It didn't go to the core of his being. But the psychological techniques did."

Despite all that has happened to him, Dean Farisani believes in negotiations as the way out of South Africa's crisis. And he said the talks must be with the Afrikaners who control the National Party and the Government.

"Blacks have never had any problem talking to Afrikaners," he said. "It's they who have had the problem. It's a long historical suicide note on the part of the Afrikaner, the refusal to talk. Today they have become a lonely folk of 2.8 million in a nation of over 30 million — not so much because they are hated but because they have decided to isolate themselves from their fellow citizens."

President P. W. Botha has been determined to prevent talks with the principal anti-apartheid organization, the African National Congress. He excommunicated an unofficial group of Afrikaners who recently met A.N.C. leaders abroad. The reason, Dean Farisani said, is that people will think differently if they actually meet the other side. "The ideology can only survive on ignorance."

Was there any real hope of negotiations? I asked. Dean Farisani said there were three possibilities. The most pessimistic was an escalation of violence. The second was the chance of strong support from the outside world pushing the Government to the negotiating table.

"The most optimistic," he said, "is the miracle option. I don't think the last miracle was when Jesus turned the water into wine. There's still room for a South African miracle. But miracles need to be encouraged."

Dean Farisani is going back to South Africa this week. Even if he stays out of detention, he will immediately be caught up in the apartheid maze. He has been declared a citizen of Venda, with no right to enter South Africa — or go to most of the 121 congregations he supervises.

He plans to return to the Minneapolis center for more treatment in the fall. Dr. Chester said the five months he has been there so far were "a short time given the trauma he went through."

I asked Dean Farisani what he thought would happen in South Africa.

"If I had to choose," he said, "I would pick the miracle option. Then I wouldn't have to worry about detention or death. But I have to be realistic. What black South African knows what will happen to him the next day? Wishes are not always horses, and therefore beggars cannot always ride."

By William Hauptman

Elvis came to my hometown of Wichita Falls, Tex., when I was in the seventh grade. He came in a pink Cadillac, and he played the Memorial Auditorium downtown, selling almost every seat. My friends and I sat up in the balcony, sailing paper airplanes and showing off for the girls while we waited for the show to start.

Then the curtain rose and the spotlight stabbed down, and there was Elvis at the microphone, a tiny figure in a gold lamé suit. I was sitting next to Jo Lippincott, a girl who also sat next to me in homeroom. She let out a shrill, tremendous scream that lifted me right off my seat. I stared at her in astonishment. One moment she had been a girl whom I had known for years, a girl I could remember making

William Hauptman is author of numerous short stories and plays, including "Big River."



ing mud pies and cutting out paper dolls. Now, in an instant, she had become... a woman.

And when we left the auditorium that afternoon, we boys were no longer yelling and showing off. I slouched toward the car where my mother was waiting, my lip cocked in the famous Elvis sneer.

To me, Elvis Presley — who died 10 years ago today — was the ultimate rebel, the ultimate hood. Of course, he wasn't really. We know now what a shy, considerate boy he was. But when I first heard him talk about how much he loved God and his mother, I thought he was putting me on.

I bought my first Elvis records because I was angry at my parents — they had thrown out my favorite comic books, after telling me for months to clean up my room. In doing so, I went from childhood to adolescence.

There was a code of violence in those days. Sometimes, as we walked home from school, a carload of high school boys would screech to a stop and they would jump out and try to beat us up. I always ran for my life, through backyards and alleys — hating myself for being a coward.

Why Elvis
haunts us
10 years
after his
death.

Much later, I discovered that afternoon at the Memorial Auditorium had not been the first time Elvis played Wichita Falls. He had been there several times before, at the M-B Corral, a sheet-iron honkey-tonk on the edge of town that usually booked country and Western artists. One night, the local hoods had waited for him after the show and beaten him senseless. It was dangerous, back in the 50's, to be so sexy, so cool. I understood why Elvis had studied martial arts, why earning his black belt had been, after his music, one of the proudest accomplishments of his life.

It took me a long time to appreciate what Elvis really did with his music. I don't remember hearing the early Sun recordings on the radio. Perhaps the local station didn't play them. By the time I heard Elvis, he was already recording songs like "Heartbreak Hotel" and "Hound Dog" for RCA Victor.

While I didn't know it at the time, the music I was hearing was rockabilly. It was the music of a changing South — the South of Confederate flags and "Hell no I ain't forgetting" bumper stickers, but also the South where some young men like Elvis were beginning to appreciate black music. They were even hanging out with black people, God forbid. (It took some people a long time to catch on to this. I remember in the 60's, when my grandfather said to me: "My God, what's happening here? We've got demonstrations, and riots, and now Elvis is singing about the ghetto.")

Elvis was the first Southern media hero, the first redneck on national television. My parents, in their youths, had liked performers with Eastern cool, like Bing Crosby and Frank Sinatra. I worshipped Elvis, who was like someone who might have been born in my hometown.

Call it the South or the Sun Belt, he will always belong to it. And he will be part father, part sex object to little Southern girls everywhere for a long time to come.

A few years ago, a movie studio bought a story of mine about an Elvis Presley impersonator and asked me to do a screen play. It never got made, but at one point they sent me to Las Vegas on a research trip.

For three days, I watched Elvis Presley impersonators perform and sometimes talked to them. The fact is, it's not all that difficult to impersonate Elvis's voice. But it's impossible for anyone to reproduce his presence, although some of the impersonators had resorted to plastic surgery.

But every night I came back to the mammoth suite the studio had rented for me on the top floor of Caesar's Palace, with a marble tub in the center of the floor. And that's when I felt the closest to Elvis.

It is the Elvis of later years that haunts us: Elvis no longer young, Elvis addicted to cough syrup, Elvis in communication with flying saucers. It came to me in those three days that it was no accident Elvis ended up in Las Vegas, along with Howard Hughes. In "The Rolling Stone Illustrated History

of Rock and Roll," Peter Guralnick prefaces his illuminating essay on Elvis with a quote by the poet William Carlos Williams that says it as well as anyone could: "The pure products of America go crazy."

This is the Elvis that seems to fascinate his most fanatical fans, the faithful who today are crowding the grounds of Graceland, his estate in Memphis, Tenn.

This is the Elvis they seemed to love the most, the Elvis of the superhero cape and the bulging waistline, the Elvis who died trying to lose weight before yet another tour.

This is the reason they love him. Not only did he become famous, he became 40 and fat — just like them. Elvis was human after all. It fascinates them, and the older I get, the more it fascinates me. F. Scott Fitzgerald said there are no second acts in American life. But sometimes there is — the long second act of failure. Sometimes it is almost as interesting as the first.

Elvis was born into the age of television and film, and for that reason we can see his whole life in a glance. He will always be both things — the aging king in his isolation, and the low-rent Dionysius, forever frozen in his adolescence and mune.



ESSAY | William Safire

Howard Baker's Folly

After a couple of years trying to run foreign policy without the Congress, the Reagan Administration then swung to the other extreme: it sought to wheedle continued aid to the contras by abdicating foreign policy leadership to the Speaker of the House.

That, too, was folly. Nobody will go to jail for the latest collapse of the Reagan will; no public hearings will expose the blundering that led to the unconscionable sellout of our national interest in preventing further Communist penetration of this hemisphere. No venality or corrupt secrecy this time; only the defeatism and confusion among the Caretaking Corps.

Howard Baker, the former Senate majority leader who took over as White House chief of staff, counted noses and found that contra aid was 35 votes short in the House and a couple short in the Senate. He decided that the President did not have the stamina or public support to make a fight on principle. So the amiable Tennesseean sent a Texas emissary to

Speaker James Wright in effect offering to make him Secretary of State in matters Central American.

Speaker Wright drove a hard bargain with the Baker White House. No extension of contra aid during the 60 days in which a cease-fire would be sought. No role for the contra leaders in determining their own fate; let them complain through the Red Cross. And not a peep out of the anti-Sandinistas in the U.S.: not one privately financed television aid, not one Reagan remark that would in any way irritate Managua — an unprecedented gag rule on the executive branch, perhaps in Congressional retribution for the undue secrecy practiced in the Regan-Poindexter White House.

But Jim Wright's peace plan had one saving grace: In conjunction with a cease-fire and an end of military aid to the resistance, the Nicaraguan Communist Government would have to commit to some of the elements of democracy it promised when it took over in 1979. Although the Reagan cave-in treated the contras as badly as Mr. Nixon treated the Kurds, at

least it did not adopt the let's-not-muddle-internally theory of negotiator Philip Habib.

While the White House was concentrating on negotiations with the Congress, Howard Baker gave little consideration to the effect of a drastic weakening of Mr. Reagan's support for the contras on the Central American presidents about to meet in Guatemala with Daniel Ortega, the Nicaraguan dictator. Our State Department sent up no red flags that a surprise Reagan compromise might trigger a major appeasement move.

That was why Mr. Baker (focused on making a political deal on the Hill) and President Reagan (preparing an Iran-contra speech to avoid the rigor of a news conference) were blindsided by the sudden adoption of the Arias plan in Guatemala. That was not in their scenario.

Improvising in what it had inadvertently made a dangerous situation, the White House did not knock down speculation that its deal with Speaker Wright had been designed to oust the Central American presi-

Telling
Wright
from wrong.

dents into action. The stunned Baker-Schultz crowd "welcomed" the unwelcome development, and took underserved pats on the back for anticipating the reaction in Guatemala they did not expect and therefore speeding the "peace process."

Then the House Speaker wilted under the heat from Democratic doves for having dared to suggest that withdrawal of contra aid be linked to political freedom within Nicaragua. Mr. Wright removed the sole element of backbone in the deal he worked out with Mr. Baker by hastily announcing "it's the Guatemala plan that has to prevail."

Mr. Baker's folly of a preemptive

compromise with Congress thus failed spectacularly. The surrender in Guatemala calls for a cutoff of U.S. contra aid now, but guarantees that dictator Ortega remains in power through 1990; the Sandinistas will continue to get arms from Moscow, during which time the resistance was abandoned will be ruthlessly crushed.

At that point, the Managua-sustained subversion of El Salvador will be renewed, but no Nicaraguans would be crazy enough to trust us in applying pressure to the Sandinistas' expansionist regime. Mr. Reagan will then be chopping wood in Santa Barbara; no wonder so many candidates are dissociating themselves from the policy likely to bedevil the next President.

Belatedly, Cap Weinberger and Frank (I was absent) Carlucci explained the extent of our perfidy to Mr. Reagan, who then told State to restrain envoy Philip Habib from administering the coup de grace to the contras; that was why Mr. Habib quit in a huff.

What a tragedy of errors. As the saying goes, none of this would have happened if Ronald Reagan were alive.

The Power of Restraint in Dealing With Iran

By Marvin Zonis
and Daniel Brumberg

CHICAGO — With the apparent Iranian mining of the Persian Gulf sea lanes, pressure is mounting to escalate the use of American military force. Such an escalation might well lead to a cycle of violent confrontations that would result in the United States being drawn into war. While it would emerge the victor in any military conflict with Iran, one crucial outcome would be to strengthen the political forces in Iran most inimical to long-term American interests.

The urge to strike a blow at the Iranians runs strong. But a superpower does not demonstrate its influence only by the use of its superior military strength: Power is also exercised by wise restraint, especially against a smaller country whose power is slight. Iran is such a country. It has failed to win its seven-year-long war with Iraq and to export its Islamic revolution.

Frustrated by their limited influence in the Gulf region and the Arab world, and seeking to bolster their position in the struggle to succeed the ailing Ayatollah Ruhollah Khomeini, radical clerics in Teheran have taken the offensive.

Violent confrontation with the United States would aid their efforts to revive their revolutionary ideology. That is why they instigated the recent riots in Mecca. But their most important opportunity for fomenting violence lies in the Persian Gulf, where they can challenge America.

The frustration of the radical clerics is born of their inability to export the Iranian revolution. Ayatollah Khomeini's Islamic ideology contains two messages that co-exist in tense conflict with one another. The first message is a universal call to all Arabs — Sunni and Shiite — to rise up in rebellion against the West and to establish an authentic, unified Islamic government in the name of the "down-trodden masses."

The exact nature of such an Islamic state is purposefully left vague in order to maximize the appeal of the universal message. The second message is a call addressed specifically to Shiites. Ayatollah Khomeini argues that a legitimate Islamic state can be established only upon the return of the 12th and last of the Shiite Imams — that is, Shiite leaders descended

from the Prophet Mohammed.

The establishment of the Islamic Republic of Iran, according to Ayatollah Khomeini, heralds the imminent return of the 12th Imam. Thus, for him and his followers Iran is the only legitimate Islamic political state.

Ayatollah Khomeini's universal message has inspired many Muslims. But Sunni Arabs, recognizing the underlying Shiite roots of his ideology, have looked elsewhere for a model of Islamic government. Sunnis hold that the Koran and the life of the Prophet Mohammed provide definitive bases for constructing an Islamic state. They reject as blasphemous the concept of fulfilling Islam through the return of the Shiite Imam.

Arab Shiites also have largely rejected Ayatollah Khomeini's interpretation of Shiite themes. Many of their clerics have interpreted Shiism differently. In addition to their religious quarrel, they also have been partly motivated by Arab hostility toward Iranian nationalism.

In 1982, Iran adopted a policy of provocation, force and violence in consequence of its realization that neither Arab Sunnis nor Arab Shiites were responding favorably to its call.

Through supporting terrorism, stationing its Revolutionary Guards in Lebanon and, most dramatically, through war with Iraq, Iran has tried

to succeed through force where it has failed through persuasion and propaganda.

But only in the case of Lebanon, where almost all central authority has collapsed, has it achieved any measure of success. Aware of the huge human costs of exporting the revolution, and of the revolution's lukewarm reception even among Arab Shiites, Iranian pragmatists adopted a policy of limiting the revolution to Iran.

But advocates of this policy of "Shiism in one country" were embarrassed by the disclosures of Iran's dealings with the United States and Israel. They searched for a means of confronting the West in order to enhance their legitimacy, especially given the looming post-Khomeini succession struggle.

Meanwhile, Iran's radical internationalists also sought crises and conflicts as a means of asserting their own domestic positions and reviving the export of the revolution. Since it is through violent confrontation that they hope to revive "their" international revolution, both inside and outside Iran, the United States must develop a policy that seeks both to minimize and avoid crises.

This can be best done in two ways. The United States should restrain the exercise of its military power in the

Persian Gulf, and should deny the radical clerics in Teheran the martyrdom they desire. Simultaneously, Iran must be denied a military victory. Iraq must be provided the military means to enforce a stalemate on the ground. This can be done through the continued provision of arms by European and Arab states.

In addition, Operation Staunch — the denial of military supplies to Iran — should be given new life as both official and actual American policy. In return, Iraq must continue its moratorium on attacking Gulf shipping. That will deny Iran one rationale for continuing its war on tankers.

America must protect its military forces in the Gulf, but it need not initiate military conflict nor retaliate against significant Iranian targets if other Iranian mines explode. Having avoided the dangers of escalation toward war and lowered the intensity of the conflict, we could then emphasize diplomacy in the United Nations.

None of this would lead Iran to end its war with Iraq. But this approach would avoid the possibility of dangerous escalation and weaken the Iranian radicals who hope to secure their power after Ayatollah Khomeini's death. Then, eventually the United States may well be in a position to pursue better relations with a less truculent Iran.

Swatch Catches Up With Itself

Its surprising success in sporty watches led to wild growth.

By CLAUDIA H. DEUTSCH

MANAGING a company with a wildly successful product can be like riding the Coney Island roller coaster. You don't try to steer it or regulate its speed. First, you hang on and enjoy the view. Then, if you stay on too long, you get sick.

That is what managers at Swatch Watch U.S.A., the company that turned an inexpensive Swiss watch into a fashion phenomenon, are beginning to recognize. In less than four years Swatch, a subsidiary of SMH, Switzerland's largest watchmaker and supplier of watch movements, has metamorphosed from a simple watch marketer to a distributor of all kinds of fashions that totaled sales of \$200 million in 1986.

But last year, for the first time, the company hit inventory problems, cost overruns and a host of other unexpected bumps in the road. Now it is on a hiring spree, looking for executives who can bring some discipline to what had become unbridled growth.

"Up until a year ago, running Swatch was a no-brainer," said Sanford J. Roland Jr., Swatch's executive vice president. "But now we have to roll up our sleeves and get to work. Instead of the business managing us, we have to manage the business."

That is an unusual statement for Swatch. Ever since the first Swatch watches hit American shores in the fall of 1983, it has seemed as though every offbeat thing the company did turned out right.

It bypassed jewelers, the traditional outlets for Swiss watches, in favor of department stores — and the country's top retailing chains signed on to stock Swatch products. It pushed watches as fashion accessories — and American teenagers started wearing two, three, even four watches at once. A few months ago it introduced the Pop Swatch, a watch that can pop out of its case and be worn on a sleeve, a sock, a pocket, anywhere at all — and retailers say the item sells out as soon as it comes in.

Even its forays into apparel and accessories have for the most part been successful. The company is planning to introduce denim clothes and Swatch shoes next year. There is

talk of a wrist "data bank" — a watch that would store, say, telephone numbers. And SMH will announce a Swatch telephone this fall.

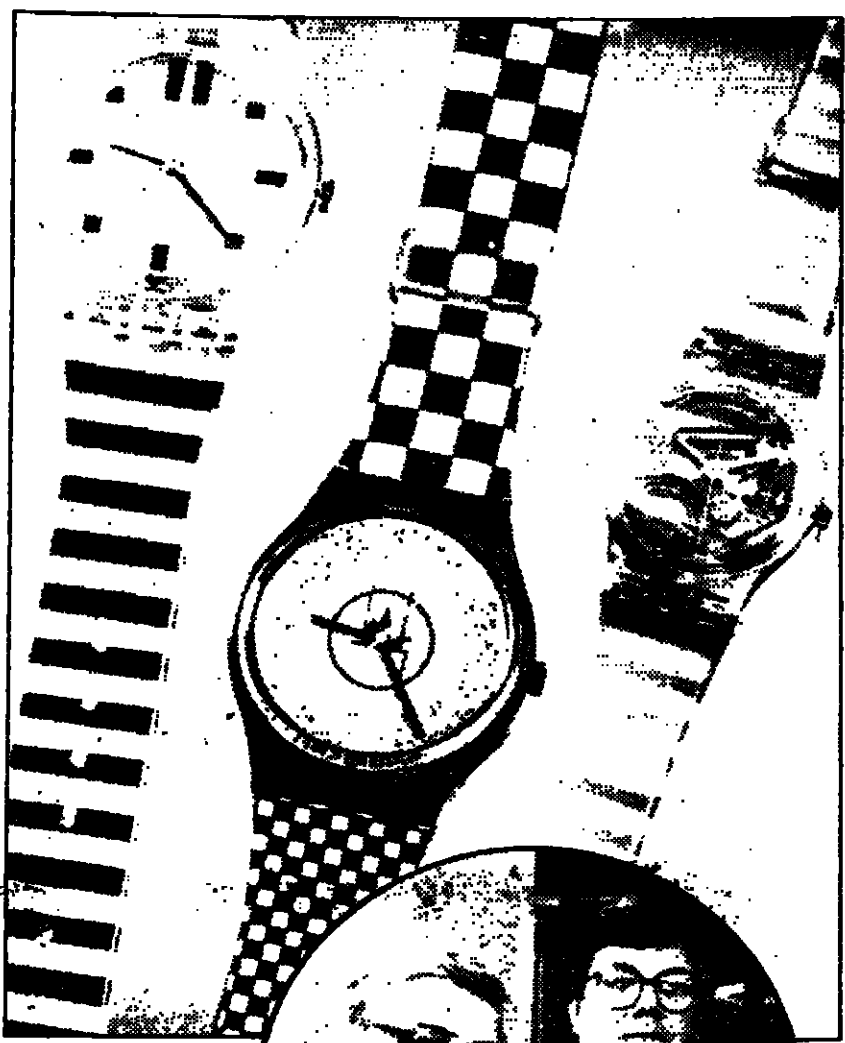
They are like mercury on a marble table top — you try to put your hand on it, and it's already moved," said Sidney G. Stricker, a partner in Stricker & Zagar, a New York firm that Swatch has hired to recruit marketing and advertising executives.

But last year Swatch crossed the fine line between excitement and turmoil. It angered retailers by running short of watches before sales peaked. Yet it found itself with overstocks of numerous clothes and accessories. Although Swatch will not break out numbers, executives concede that costs skyrocketed and profits dipped.

SMH, which makes Tissot, Omega, Rado and other well-known watch brands, tried to solve the problems by sending in Swiss experts. Swatch had three presidents in 1986, a kind of instability that does not garner confidence in retail buyers. "They're just not sure of how to produce in the quantities that customers want," said one merchandise manager who asked not to be identified.

The upshot is that retailers are growing wary of the company. Swatch merchandise is a proven hot seller. But retailers say that Swatch's delivery is so erratic that they would only introduce new Swatch products gradually, rather than blanket their stores with Swatch items and risk disappointing customers.

"If they had a new product tomorrow, I'd send all of my buyers to New York to get it," said Herbert Ross, president of Lazarus, a chain of 45 department stores in the South and the Middle West. "And we'd shake all the way home, worrying whether they could ship enough goods."



Three Swatches from the fall line: Jacques Imrigré (left) and Sanford J. Roland, Swatch Watch U.S.A.'s top executives.

Swatch, a name derived by contracting the words "Swiss watch." The Swatch is made on a fully automated production line, and its parts are welded, not screwed, together. That construction makes the watch almost impossible to repair, but it also means that far fewer things can go wrong with it. And most importantly, it means that the watches can be sold for \$35 each and still provide a healthy profit to retailers and SMH.

"We saw it as a cheap, funny watch that would sell well enough to keep our production lines rolling," Mr. Imrigré said.

What no one had counted on was the impact the watch would have on teenagers. Almost immediately, it became a hit with youngsters in the United States, Switzerland, England and 19 other countries. And not long after, their parents started wearing Swatches, too.

As soon as Swatch International, the subsidiary SMH set up to sell the new watch, realized that it had a budding phenomenon on its hands, it put the company in the hands of proven marketers. Mr. Imrigré, who had experience with Nestlé, Colgate and Lever Brothers before joining SMH, was made the president of Swatch International. And Max Imgruth, who had worked at various Swiss clothing companies, was sent to New York to head Swatch Watch U.S.A. (which is still the only Swatch subsidiary to sell apparel and accessories).

"Max and I weren't traditional watchmakers, so we had no history to overcome, nothing to unlearn," said

Mr. Imrigré. Indeed, they displayed an irreverence that shocked the conservative Swiss. Mr. Imgruth, a youthful-looking blond man with a rakish grin, appeared in promotional posters as Mad Max IV the Merchant Warrior. The company sponsored rock concerts and co-sponsored events with MTV: Music Television, the cable television network. "It was against the basic mentality of watchmakers, who felt the jewelers themselves should sell the watch," said Mr. Imrigré. "But it worked."

SWATCH never lost sight of its goal: To keep the SMH factories going full speed. Swatch viewed its apparel lines only as a vehicle to sell more watches. The company believed that Swatch would sell better if it was "moved" out of the watch counters into its own little shops in department stores. No department store would devote that kind of space just to a watches, so Swatch decided to sell fashion items, too.

That decision let to trouble. It is one thing to distribute a product that your parent company invented and manufactures. It is quite another to identify the best sources for various types of apparel, to figure out how much to pay per piece and how much to sell them for.

At first Swatch tried licensing its name to apparel manufacturers, but rejected it after some bad experiences with low-quality items. Mr. Imgruth flailed around for a time, hazarding choosing suppliers and guessing at the quantities to order.

Many of those guesses were wrong, and Swatch wound up paying premiums for rush deliveries of items for which it had underestimated demand, and huge carrying charges for items that it had overstocked.

"When you have 2,000 unsold Swatch umbrellas in inventory, you lose money very quickly," Mr. Imrigré said.

"Sometimes your appetite is just bigger than your stomach. We made too much apparel too soon," said Mr. Roland.

Last year, Mr. Imgruth returned to Switzerland, where he is handling worldwide marketing for Swatch International. In his place SMH sent Felice A. Schillaci, an executive who had displayed talents for ironing out operations problems. Mr. Schillaci installed strict cost controls at Swatch and established a purchasing office in Hong Kong that now coordinates all of Swatch's clothing buys.

Mr. Schillaci, too, went back to Switzerland, supposedly to take up a high-level finance post at SMH. That never happened, and calls to SMH turned up no knowledge of Mr. Schillaci's whereabouts. Mr. Imrigré says he is in the United States, doing occasional consulting work for Swatch.

In December Mr. Imrigré, who had turned around SMH's ailing Omega unit, temporarily took over Swatch Watch U.S.A. and began grooming Mr. Roland to be its next president. "We can't afford more top management changes," Mr. Imrigré said.

IN Sandy Roland, Mr. Imrigré has a contagiously enthusiastic heir-apparent. A visitor recently dropped by Mr. Roland's East 21st Street offices, wanting to talk about strategies, inventory control, production processes, all of the dull but essential aspects of running a business. Mr. Roland was willing — but not until he had shown off the latest Swatch watch, the newest sweatshirt color, the pictures of the company's first freestanding store, which opened in Nantucket, Mass., last month.

But Mr. Roland's enthusiasm is tempered with knowledge of what is needed to sell fashion items in department stores. "We need to operate closer to demand," he said.

Already, Mr. Roland has instituted systems for tracking sales of Swatch merchandise on a weekly basis. The company tries to keep a two-month inventory of watches on hand and lets some of its largest accounts order weekly. Mr. Roland says that apparel supply is more in line with demand these days, too.

He is also planning more Swatch stores, both as vehicles to sell merchandise and as testing grounds for new products. He has stocked unlabeled shoes in the Nantucket store to see which styles appeal to Swatch shoppers. On that basis, he will decide what shoes will carry the Swatch designs. A Swatch store is planned for New York next year.

More immediately, Mr. Roland is concentrating on finding the proper mix of styles. "Do we have to have everything flashy, or can we put in a few more conservative pieces?" he asks. "And who says the Swatch must always be plastic?"

Mr. Roland has hired a battery of consultants to help answer such questions, as well as a cadre of permanent staff members. Earlier this summer, he hired Mona Monaghan, vice president of marketing at Charles of the Ritz, to hold that title at Swatch Watch U.S.A. He brought in Julie Ray, an accessory buyer for The Limited, as marketing brand manager for accessories. And he hired Deborah Storz, formerly director of marketing at Estée Lauder, to handle new business development.

No one familiar with Swatch is surprised that two of the three new hires have cosmetics backgrounds. "The cosmetics people know that you can't offer the same product year in and year out," said Mr. Stricker, the recruiter. "Charles Revson proved that years ago, when he operated Revlon like a fashion business. That same kind of thinking applies to Swatch." Indeed, Mr. Roland himself joined Swatch in 1985 from the Warner Cosmetics Group.

Executives in Bienne, SMH's Swiss headquarters, are already wondering whether the new cadre of Swatch executives will eventually be able to persuade department stores to sell the company's top-of-the-line watches, now sold only through jewelers.

"In 10 years you'll be able to buy a \$20,000 watch at Bloomingdale's," said Mr. Imrigré. "We are creating a reservoir of people at Swatch now who will help us develop such markets for our other watches then."

The Economy

WEEK IN BUSINESS

A Wild Party For the Bull Market

The unstoppable bull market celebrated its fifth birthday like a gleeful 5-year-old, crashing headlong through 2,600 and racing toward 2,700. A lot of investors came to the party, with volume close to or exceeding 200 million shares each day. Institutional buying combined with a marked lack of profit taking seems to be lighting the candles this time as the slow but sure advance of the economy makes stocks more attractive than other financial instruments. To be sure, there are doomsayers who insist that stocks are overvalued and the market is due for a correction — a big one. But most people seemed to be having too much fun watching the numbers go higher. By the end of the week, the Dow Jones industrial average, which was around 775 five years ago, had gained 93.43 points and closed at 2,685.43. That was a small retreat from the record (and oh-so-close-to the 2,700 mark) of 2,691.49, set Thursday. The week's volume of 1.11 billion shares was a record, though.

The trade gap widened, to \$15.7 billion in June, up from \$14 billion in May. Imports once again were the culprit. Despite the high dollar, Americans are buying products overseas at a record pace, notably oil. The unexpected worsening in the deficit sent the dollar plunging. ... Producer prices rose two-tenths of 1 percent in June, led by energy prices. The increase was a modest one, and inflation at the producer level is running at a 4.2 percent rate so far this year. ... Retail sales rose eight-tenths of 1 percent in July, an increase that pleased some economists but puzzled others, who wonder where the money is coming from. ... Industrial production gained eight-tenths of 1 percent in July, the biggest increase in 15 months. ... Business sales rose 1.5 percent and inventories climbed four-tenths of 1 percent in June, both taken as good signs. The inventory-to-sales ratio fell to 1.49, from 1.50.

Oil prices have softened despite the tensions in the Persian Gulf. Traders, once frightened at the prospect that turmoil in the region would cut off supply, now appear less worried that the problems will threaten what is already an oversupply.

C. William Verity Jr. was nominated to be Commerce Secretary, replacing the late Malcolm Baldrige. Mr. Verity, the retired chairman of Arco, is known as an advocate of free trade — and expanded trade with the Soviet Union — but his choice by President Reagan was something of a surprise, since he has not had as many dealings with Congress as others who had been considered.

Pacificorp and Utah Power agreed to merge in a \$2.2 billion deal that could set off a wave of consolidations in the utilities industry. The two companies had been negotiating for more than a month, but the final price was somewhat higher than most analysts had expected. That puts the spotlight on other utilities, some of which are healthy from years of cost-cutting and some of which have been struggling in the wake of deregulation.

Miscellaneous. ASEA of Sweden and BBC Brown Boveri of Switzerland will merge to form a huge manufacturer of electrical equipment. ... The United States said Japanese companies were illegally dumping roller bearings in the American market. But in a twist, the United States said the dumping came because the companies refused to raise their prices to compensate for the strength of the yen. ... British Airways is buying \$795 million in jets from Boeing instead of Airbus.

Exxon will buy Celeron, an oil and gas company, from Goodyear for \$650 million. Exxon and other big oil companies have been trying to expand reserves through acquisition rather than costly exploration.

Toshiba lost a \$104 million order from the Pentagon for laptop computers, but officials did not say outright that the loss was because a Toshiba subsidiary had illegally shipped submarine parts to the Soviet Union. Zenith got the contract.

Caesars World's recapitalization plan was rejected by the New Jersey Casino Control Commission, a surprise action that raises questions about how other Jersey casinos will deal with their financial problems.

United's pilots are getting tough in their fight to buy the airline from its parent, Allegis. The pilots union hired William R. Howard away from Piedmont, where, as chairman, he turned Piedmont from largely a feeder carrier to a major national carrier, until its acquisition by USAir. The United pilots hope that with Mr. Howard leading their effort, and with Chemical Bank pledging \$500 million to finance a takeover, Allegis will pay more attention to their bid.

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Tom Bloom

Harcourt Brace Jovanovich said it might have to sell assets or face bankruptcy in the wake of a costly, but successful, battle against a takeover by Robert Maxwell. The big publishing house said it is trying to cut costs in all its divisions, including insurance and theme parks, but said its recapitalization plan might not do the trick.

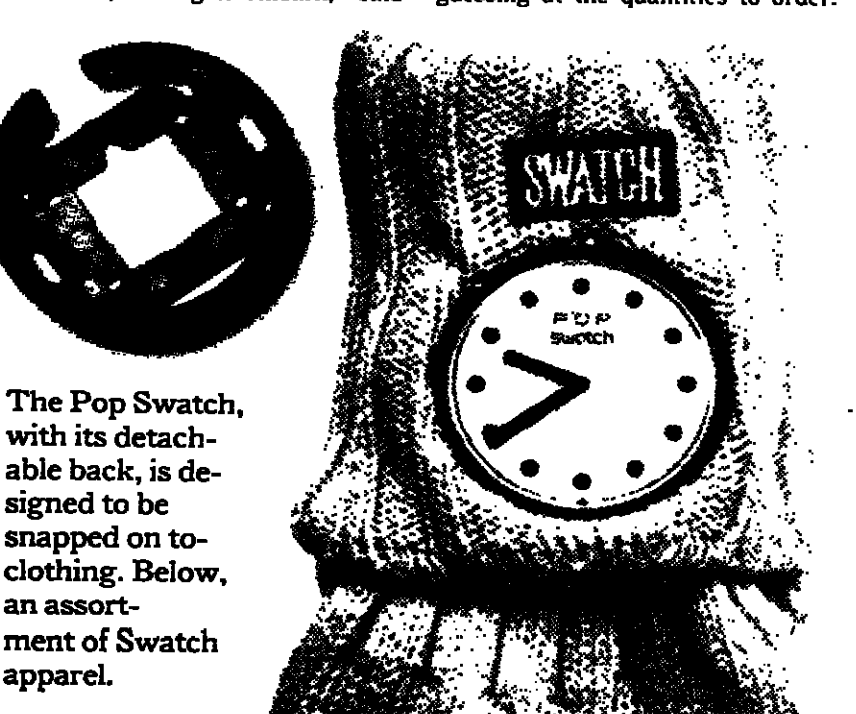
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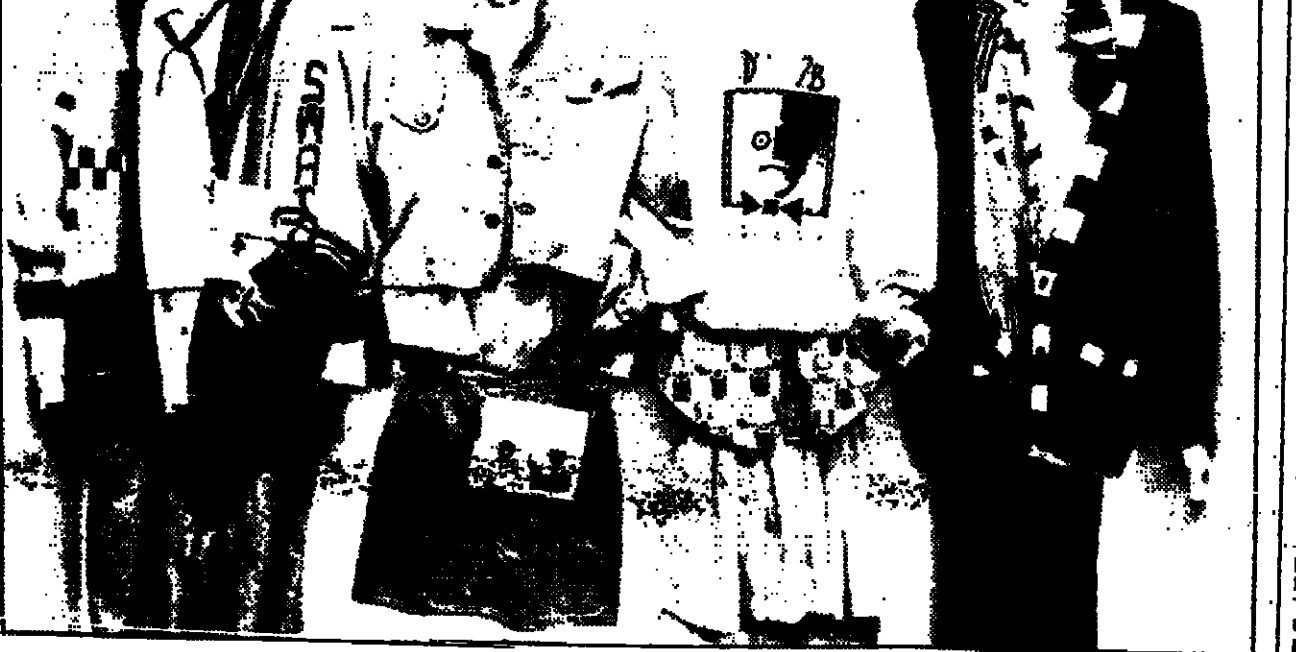
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The Pop Swatch, with its detachable back, is designed to be snapped on to clothing. Below, an assortment of Swatch apparel.



The New York Times/Ruby Washington

The New York Stock Exchange

MOST ACTIVE STOCKS WEEK ENDED AUGUST 14, 1987 (Consolidated)				
Company	Sales	Last	Net Chng	
EchB	3,066,900	25	- 1/4	
WangB	2,960,900	18	+ 1/4	
BlockE	2,311,700	5 1/4	- 1/4	
Amndahl	2,278,700	43 1/4	+2 3/4	
Atari	2,050,400	14 1/2	+2	
Wickes	1,922,300	4 1/4	-	
CamCr	1,568,600	15 1/2	+ 1/4	
AEXFF	1,436,000	3 1/4	+15/16	
LoTeI	1,308,900	15 1/2	+ 3/4	
TexAr	1,305,200	35 1/2	- 1/4	

MARKET DIARY				
	Last	Prev.		
Advances	425	439		
Declines	444	424		
Unchanged	150	153		
Total Issues	1,019	1,016		
New Highs	117	116		
New Lows	52	54		

VOLUME				
	Last	Year		
(4 P.M. New York Close)	Week	To Date		
Total Sales	72,971,508	2,185,434,080		
Same Per. 1986	49,797,895	1,985,698,049		

MARKET INDEX				
	High	Low	Last	Net Change
Composite	365.14	361.03	363.51	+2.55

WEEK'S MARKET AVERAGES				
	High	Low	Last	Net Change
New York Stock Exchange	229.4	223.4	228.7	+5.91
Indust	168.3	162.8	168.2	+5.55
Unls	80.2	76.3	80.1	+3.60
Finance	165.3	156.3	164.8	+8.70
Composite	187.6	181.6	186.4	+5.82

Standard & Poor's				
	Sales	Last	Net Chng	
400 Indust	391.9	378.1	389.3+	11.17
20 Transp	274.7	265.8	274.2+	8.02
40 Utils	121.0	114.3	120.5+	105.91
40 Financial	32.6	30.2	32.3+	2.09
500 Stocks	336.0	322.9	333.9+	10.99

Dow Jones				
	Sales	Last	Net Chng	
30 Indust	271.49	257.8	268.5+	+93.43
20 Transp	1110.1	1077.5	1101.1	+18.31
15 Utils	214.9	203.7	213.7	+9.25
65 Comb	998.0	956.0	989.0	+30.24

The American Stock Exchange				
MOST ACTIVE STOCKS WEEK ENDED AUGUST 14, 1987 (Consolidated)				
Company	Sales	Last	Net Chng	
AT&T	17,571,900	34 1/4	+ 1	
Hansen	13,430,800	15 1/4	+ 1 1/4	
IBM	12,834,600	173 1/4	+ 8 1/4	
Navistar	12,731,000	7 1/4	...	
Nia M P	11,914,300	15 1/2	+ 1/2	
Gen El	11,494,200	64	+ 3 1/4	
A Exp	10,513,300	39 1/4	+ 2 1/4	
Chrys	9,477,900	45 1/4	+ 5 1/4	
Wal Mts	7,638,100	41 1/4	+ 2 1/4	
Unisys	7,631,800	47 1/4	+ 2 1/4	
G Mot	7,193,500	93 1/2	+ 6 1/4	

MARKET DIARY				
	Last	Prev.		
Advances	1,291	1,123		
Declines	702	812		
Total Issues	2,202	2,174		
New Highs	421	308		
New Lows	56	54		

VOLUME				
	Last	Year		
(4 P.M. New York Close)	Week	To Date		
Total Sales	1,114,312,630	28,468,531,258		
Same Per. 1986	661,042,840	22,007,490,793		

A British lieutenant claims his drink

R.J. Condie, who lives in Spain, has sent *The Jerusalem Post* this account of his activities in this country in the turbulent days at the end of 1947.

IN NOVEMBER 1947 I was a lieutenant commanding a platoon in the 2nd Battalion The King's Royal Rifle Corps based at El-Bureij, just south of Gaza. On the 29th of that month, the United Nations adopted the partition resolution that was to lead to the establishment of the State of Israel.

Overnight, our role changed. We now had actively to protect and help Jewish efforts to set up new settlements. Very soon, numerous convoys appeared in our area from older-established settlements in the north, bound for the Negev. We escorted them through the Arab-held areas around Gaza.

One day we were escorting a convoy when, a few miles south of Gaza, the road ran through a cutting and on either side, on the high ground, were entrenched hundreds of armed Arabs, blocking our passage.

We had our orders. My company commander went up one side and I went up the other and, explained to the Arabs, as amicably as possible, that we would have to open fire should they impede us. The convoy got through.

In those early days, we still had the moral authority with the Arabs to do this, but that authority was to wane rapidly in the coming weeks.

My notes of that period which I came across recently refer specifically to another episode in the protection of settlements in the Negev, which were coming increasingly under Arab attack. It was decided to give them my protection and I was involved in the first of the patrols which took place from December 14 to 20.

The patrol was carried out together with a detachment from the Royal Horse Artillery at Isdud, north of Gaza, and we visited the following settlements: Givram, Yad Mordechai, Nir Am, Gevim, Dorot, Ruhama, Shoval, Mishmar Hanegbe, Tekuma, Bene Akiva, Be'erot Yitzhak and Be'er.

WE SPENT the first night in Gevim, a little place two months old, with a population of 30 young men and women, and I immediately found myself caught up in an adventure.

Around 11 p.m. word came through that two Jews had been badly wounded by Arabs at Beit Eshel, a settlement the other side of Beersheba. Could we get them out? I set off straight away with two soldiers in one of my armoured scout-cars and got to Beersheba at about 1 a.m., and Beit Eshel soon after.

It took over two hours to prepare the wounded men and get them into the scout-car and it was around 4 a.m., when we were going through Beersheba again, that I saw to my dismay that the Arabs had placed a line of large boulders across the street. It occurred to me that the Arabs' objective, apart from getting a closer look at us, was to get me to parley with them about removing the stones, which would have been in line with their way of thinking. With the passengers I had, this was out. My only thought was to get through that barrier, fast.

I had three unarmoured men in the back and, ordering them to keep quiet and at all costs to stifle the cries of the two wounded men, I leapt out with the two soldiers to clear the roadblock. While they rolled the boulders away, I stood in the headlights, swivelling around so that all the Arabs could see my badges of rank and the flashes of the division we belonged to, the charging rhino of the 1st Armoured Division.

In the shadows on the edges of the powerful beams, I could see that the street was teeming with armed Arabs. As the minutes passed, I could not understand why some Arab in authority did not appear to ask what we had been doing in Beit Eshel and to demand to inspect the inside of the car. We were completely outnumbered. I could not have resisted such a demand.

But no one came to question us, and in five minutes or so, we were through the barrier and on our way to Nir Am to deliver the wounded at the hospital. We got back to Gevim around 7.30 a.m.

IT WAS A fascinating week. Most of these settlements were only about a year old; but, a few like Nir Am and Be'erot Yitzhak, had been established for as long as five years. Most

of the settlers were of Russian and Eastern European origin, but there were also some Western Europeans and other nationals. Most of the settlements were run on communal lines and the best explanation of how this worked was given by the minkhtar of Shoval, a South African.

Tekuma and Beit Eshel were smallholder settlements: Bene Akiva and Be'erot Yitzhak were Orthodox. I saw wheat thriving in the desert, the young shoots protected from the wind-driven sand by rows of wooden planks. All the settlements had some kind of industry and the older ones had dairies, bakeries, poultry farms, etc. All bustled with activity and a sense of purpose.

We had been a bit apprehensive about the reception we were likely to get in these settlements and indeed, in two or three it was quite cold. On the other hand, in two or three it was very warm, and in all the others we were received cordially.

One of the friendliest places was Mishmar Hanegbe and while they had lost five men the week before in an Arab ambush, there was no mistaking the genuineness of their welcome.

We spent each night in a different settlement and shared accommodation with the residents. Inevitably and desirably, this led to long conversations, and even arguments, about British policies and other topics.

The main problem when one is in an army of occupation is the lack of contact with the civilian population. This week made a most refreshing change. I was interested to note that no Jews complained about the British Army although some of them were frank speakers. But they were scathing about the politicians in London.

I was demobilized soon after but I would not have missed that week for anything. I left the country with a deep respect for the Jews and especially for the ones in the Negev settlements. I have never returned to Israel and the Negev, and I have often wondered what happened to these people in the fighting there. I also hope the two wounded men I got out of Beit Eshel are fit and well. I think they owe me a drink!

TENNIS

Martina: Bad psyche, bad serve

MANHATTAN BEACH (AP). — No. 1 seed Martina Navratilova blamed her serve and her psyche for a 6-2, 6-1 loss to third-seeded Chris Evert on Saturday in a semifinal match of the \$250,000 Virginia Slims of Los Angeles tournament.

"I wish I could just point to my serve," Navratilova, who double-faulted six times, said. "The problem was more with my second serve. I was miss-hitting my ground strokes. I wasn't penetrating at all. I wasn't really sharp mentally."

Evert's win puts her in the final here against West German Steffi Graf, who stood poised to become the new world-number-one. Graf, the second seed, struggled to a 7-5, 7-5 victory over seventh-seeded Gabriela Sabatini of Argentina.

Should Graf beat Evert in the final she would overtake Navratilova by 7/10ths of a point in the computer rankings.

The only player to interrupt the 14-year stronghold that Evert and Navratilova have held on number one was Tracy Austin in 1980.

"I don't think Martina played her best this week," said Evert, who raised her career record against Navratilova to 35-39. "I have been in the right frame of mind, and I thought I had a good chance to win. I returned better than I have the last few times we played. That was the key."

Graf's victory marked the 18th consecutive time without a loss that she has beaten her doubles partner.

She said she was able to recover from a 3-5 deficit in the first set by concentrating on the important points. "I was giving up some easy points at the beginning and then I started to concentrate better at 3-5."

Ivan Lendl edged Jimmy Connors 7-5, 6-4, and Stefan Edberg trounced Boris Becker 6-2, 6-4, in the semifinals of the Canadian Open.

SWIMMING

China arrives

BRISBANE (Reuters). — China announced their arrival as an international swimming force yesterday when Qian Hong won a gold medal in the 100-metres butterfly at the Pan-Pacific Championships.

The world's most populous nation took six gold medals at the Asian Games in Seoul but Qian Hong's triumph was the first in competition against traditional swimming powers like the U.S. and Canada.

Former cocaine addict Steve Bentley of the U.S. swam like the shark tatted on his left shoulder to gobble up the 200m. breaststroke gold medal.

Joan Evans suffered her first defeat since breaking two world records last month when Australia's Julie McDonald came within 0.3 seconds of the distinctive American's 200m. world record of eight minutes 22.44 seconds.

SOCCER

The English are coming

By PAUL KOEN
TEL AVIV. — The forthcoming international season of Israel soccer, which will peak with the Olympic qualifying games in Oceania next March, received a boost yesterday with the announcement that England will play Israel at Ramat Gan on February 17.

Football Association chairman Shaul Sviri told newsmen that the game will mark the 60th Anniversary of the IFA. It will also be a valuable final test for the Israeli squad before the Olympic qualifying matches in Australia between March 6 to 27.

The coming season's international programme will kick off with a game against Cyprus in Haifa on October 21. On November 10, Israel plays in

Dublin against Eire. Further matches to be played here will be against Malta on December 2, Switzerland on December 19 and Belgium on January 19.

Israel's league season starts on September 5, the major change being the reduction of the National League to 14 teams from the previous 16 clubs. It will be another season without foreign players.

Hapoel, the most powerful body within the FA, has so far rejected the idea of allowing the import of foreign soccer players, linking this with the reduction of the National League to 12 teams. The Maccabi and Beter movements have lined up in favour of the proposal.

"None can dispute that allowing

foreign players to pay for local clubs can only be good for Israeli football," Azrikam Milchan, the top Maccabi representative in the FA said. "Only that can bring the crowds back to watch games."

Sviri said he did not anticipate a fall in attendance at league games in the coming season, despite the departure of several star players and the hefty increase in the price of tickets to games.

Avi Cohen did not play for Glasgow Rangers in their match on Saturday, which they lost to Aberdeen 2-0, owing to injury. Moshe Sinal was involved in a crash with the Lasercall Bruges goalkeeper in the Flemish cup final, which his team lost 4-0, and hobbled off the field.

BASEBALL

Giants: Pitching will win it

NEW YORK (AP). — San Francisco manager Roger Craig says Dave Dravecky gives the Giants the best pitching staff in the National League and perhaps the best team in the NL West.

Dravecky pitched a four-hitter and San Francisco defeated the Los Angeles Dodgers 5-0 on Saturday to move into a first-place tie with the Cincinnati Reds.

Dravecky, 6-9, walked two and struck out seven. It was the 11th time the Dodgers have been shut out this season.

"I've been saying all along that since Dravecky joined our rotation (on July 4), we've had the best pitching in the league," Craig said.

AMERICAN LEAGUE
Don Mattingly and Mike Pagliaro hit home runs in the third inning as the New York Yankees ended a

AMERICAN LEAGUE EAST

	W	L	Pct.	GB
Toronto	69	48	.590	—
Detroit	67	47	.588	2 1/2
New York	67	50	.573	3
Milwaukee	60	56	.517	8 1/2
Boston	58	61	.484	13 1/2
Baltimore	53	64	.453	16
Cleveland	44	72	.379	24 1/2

WESTERN DIVISION

	W	L	Pct.	GB
Minnesota	64	54	.542	—
San Francisco	59	57	.509	2 1/2
California	59	58	.504	4 1/2
Kansas City	58	58	.500	5
Seattle	56	60	.483	7 1/2
Texas	55	60	.478	7 1/2
Chicago	47	68	.409	15 1/2

SATURDAY'S GAMES: New York 11, Cleveland 2; Boston 7, Texas 6; Chicago 1, Toronto 6; Baltimore 2, Milwaukee 1; Minnesota 14, Seattle 4; Detroit 5, Kansas City 4; Oakland 13, California 3.

season-high, five-game losing streak by beating the Cleveland Indians 11-2.

Dennis Rasmussen, 9-6, won for the first time since July 10. Tim

NATIONAL LEAGUE EAST

	W	L	Pct.	GB
St. Louis	70	46	.603	—
Montreal	65	51	.560	5
New York	65	52	.556	5 1/2
Philadelphia	60	56	.517	10
Chicago	60	57	.513	10 1/2
Pittsburgh	51	66	.436	19 1/2

WESTERN DIVISION

	W	L	Pct.	GB
Cincinnati	61	57	.517	—
San Francisco	61	57	.517	—
Houston	57	59	.491	3
Los Angeles	52	64	.448	8
Atlanta	50	66	.431	10
San Diego	48	69	.410	12 1/2

SATURDAY'S GAMES: Chicago 7, New York 3; Montreal 6, Pittsburgh 3; San Francisco 5, Los Angeles 6; Philadelphia 5, St. Louis 2; Houston 8, Atlanta 6.

Stoddard got his fifth save. Mattingly led off the third with his 21st home run. Pagliaro hit a two-run homer, his 25th, for a 5-1 lead against Ken Schrom.

Agony of a refusenik

Vladimir Magarik tells of the sufferings of his son Alexei, now serving a three-year sentence in a Soviet labour camp.

IN A LETTER published in *The Jerusalem Post* last Sunday, Vladimir Magarik outlined the maltreatment to which his son, Alexei, had been subjected by the Soviet authorities. Below is a fuller account, abstracted from the deposition Magarik senior made to the United Nations in December 1986.

Since my daughter Chana and I were given permission to immigrate to Israel in 1982, I have been kept informed about Alexei through frequent and continuous telephone calls and correspondence.

Alexei was born in Moscow in 1958 and his wife, Natalia, in 1956. They were married in 1983 and their son was born in Moscow in 1985.

Alexei is a musician by profession. For a livelihood, he played in orchestras, conducted ensembles, taught and composed music. These activities were given official recognition.

He also participated in the cultural life of the Jewish community. This involved creative activities such as playing folk, classical, Jewish and religious music, as well as singing. He had a cultural and educational interest in learning the Hebrew language, as representing another historical link to the Jewish people. To this end, he took private lessons from friends, for which there was no charge. As he became proficient in Hebrew and others wished to learn it, he likewise gave private lessons without any charge.

All these activities were legal: there was no Soviet law prohibiting them. But Alexei became aware that he was under surveillance by the authorities. His telephone was tapped, and he noted that his mail was opened by the authorities.

ALEXEI AND NATALIA made their first application to emigrate from the Soviet Union in September 1983. It was refused. The refusal was based on blatantly transparent, arbitrary and capricious grounds. It stated: "The application was not justified."

They reapplied every six months, this being the earliest time permitted by the government. Each reapplication was met with another refusal. The last was given in September 1985. Like the others, it had no basis in Soviet law, but it stated: "there is no objection. However, the time is not suitable."

SINCE THE Magariks were involved in Jewish cultural activities, they were to be punished by denial of permission to emigrate. This would serve as a warning to others engaged in similar activities. But Alexei was to be punished further by arrest and imprisonment on a false charge of possession of drugs. The circumstances resulting in the charge, the conduct of the trial, the complete lack of defence representation, the judgment and the appeal constituted a mockery of the judicial system.

In March 1986, Alexei was

arrested in Tbilisi, Georgia, where, returning to Moscow, he had accepted hospitality from the Muskhelishvili family. When he was leaving for home, his suitcase was taken away from him at the airport. When it was returned to him, the police claimed that it had contained a paper bag with 3.4 grams of hashish and 3 grams of dust that had traces of hashish. Alexei denied any knowledge of this.

Police searches were conducted in his home. An official blood test showed no traces of drugs, and a psychological test indicated no use of drugs. Natalia asked the police investigator to examine the paper bag allegedly containing hashish for fingerprints. He refused to do so.

THE TRIAL was held on June 6-9, 1986. It was not a public trial. Friends of Alexei were not permitted to attend. Only Natalia and Alexei's mother were allowed to attend on Alexei's behalf. Natalia protested to the judge, whose name was Namichishvili.

In his opening speech, the prosecutor made an error. He said that 6.4 grams of hashish had been found, whereas the indictment stated that 3.4 grams of hashish and 3 grams of dust with traces of hashish had been found.

According to the indictment, the police investigator had taken evidence from 20 people. Ten acquaintances of the Muskhelishvili family, Alexei's hosts in Tbilisi, had told him that Alexei could not have packed his suitcase himself. In fact, he did not have time to do so.

Noting that he was short of time, he had telephoned the Muskhelishvili family from outside the house and asked to have it packed for him. Therefore Alexei could not have packed any hashish.

Two airport workers stated that the suitcase contained hashish. Two other airport workers were summoned to appear, but were not permitted to give evidence.

Alexei's lawyer asked to cross-examine the witnesses, but the judge refused. Alexei was found guilty.

He was sentenced on June 9, and was given the maximum sentence of three years in a labour camp. Judge Namichishvili pronounced sentence in the Georgian language, which Alexei did not understand. This was crucial, since an appeal requires a written statement of the sentence. There was no official translation.

Moreover, the judge did not permit Alexei to talk to his lawyer except on the last day for an appeal period, which was July 10. He re-learned only because of Natalia's protests. Thus, Alexei was effectively denied the right of appeal. It is most important to note that Natalia saw a prison order on July 8 (two days before the end of the appeal period) saying that Alexei was to be sent to Omsk, in Siberia.

ON JULY 11, Alexei was sent to a labour camp in Georgia. On August 23, he began the journey to Omsk, by way of several prison camps. Proper winter clothing was taken away from him. At the camp in Rostov-on-Don, he was beaten by guards.

When, after five weeks, he arrived at Omsk, he was asked by the camp commandant, Major Plotnitsky, and the local government deputy Major Gulko, to be an informer. He refused, and as a result was put into a prison for incorrigible convicts from October 1 to 14, being beaten every day.

When Natalia visited him on October 15, she found him covered with bruises. Even his lips were damaged. No medical treatment was provided for him.

On November 24, Natalia made the 3,200 km. journey from Moscow again, but Major Plotnitsky would not allow her to see Alexei. Major Gulko did not wish to speak to her.

The deputy for political education told her that Alexei had been punished for not doing his allotted job. This involved working in a dangerous environment of fibreglass dust without protective clothing such as a mask or gloves. As a result, his hands were injured. He was then placed in a very small, wet and cold punishment cell for 10 days, taken out for three days, and returned to it for another 13 days. He was only given bread and water and he had no blankets or anything else to provide warmth.

The camp deputy warned Natalia that Alexei's health could deteriorate further if he were not more accommodating, and especially if Natalia's efforts in the Soviet Union, and mine in Israel and worldwide, continued.

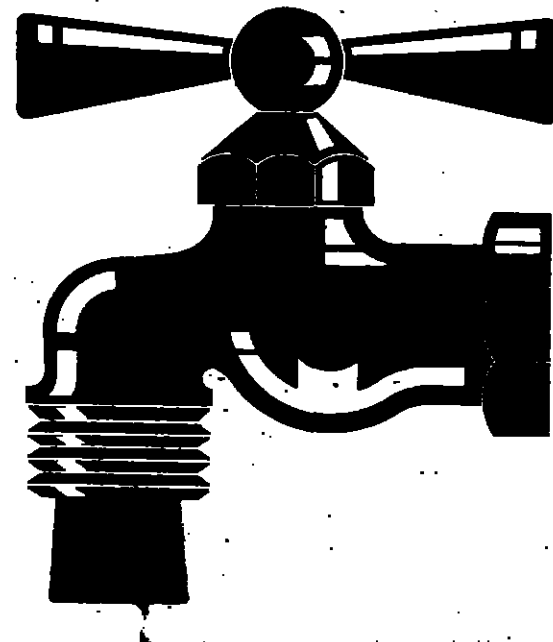
PARTICULARLY moving is this passage from Alexei's speech in his own defence at his trial, quoted to me by Natalia:

"I am innocent. It is possible that if I had listened to Investigator Chitadze and admitted everything...I could have made things easier for myself. However, I am not guilty of possessing and transporting drugs. Also, to have admitted falsely to guilt would have been slandering myself. I have a responsibility to myself and my family to tell the truth."

"Citizen judges, we were born to turn fairy-tales into reality, as the poet said. Today, you have committed a judicial error. I will be punished for a crime I did not commit. I am innocent."

My son's prison address is: Omsk 644035, USSR. Uchrezhdeniye UN. 16/8. Magarik, Alexei. His wife's address is: Moscow 107113, Rusakovskaya 27, Apt. 88. Rather-Magarik, Natalia

Save Water With Almost No Effort!



How does one save water? Nothing's easier! Here are a few simple ways of doing it—

- Don't leave the tap running while you're shaving.
- Wash your car with water from a bucket, not with a hose.
- Lather the dirty dishes with the tap turned off.
- Water the garden and pot plants in the evening.
- Put a water saver in your lavatory flushing tank.
- Check for leaks by observing the "butterfly" wheel in your water meter — and fix them!
- Change the washer in dripping taps.

And, most important of all: TURN OFF THE TAP!

Water Discipline — It's Essential!

By KEN SCHACHTER

For the Jerusalem Post

TEL AVIV. — How many angels fit on the head of a pin? That's the sort of problem Frank Sparhawk has been puzzling over lately.

Only Sparhawk's dilemma is even thornier. The second secretary of the U.S. Embassy's economic section must define what an angel is, count the winged creatures and describe the mechanics of their flight. To complicate matters even more, he has to consider two pins, one Israeli and one American.

Sparhawk's mental gymnastics haven't concerned angels exactly, but items that to an economist appear equally evanescent. He has been thinking about services, or, as the British say, invisibles.

American negotiators like Sparhawk and their Israeli counterparts are working toward stitching together what would be an historic agreement to phase out barriers on trade in services between the two countries. But both sides are treading gingerly.

"It's still something political scientists and economists are debating about," said Sparhawk.

That debate takes a lot of forms. But many of them centre on determining the difference between a service and a good.

At first blush, there would seem to be little cause for confusion. Goods, after all, are those things that you can touch, or at least see. The Lavi jet is a good, as is a nuclear reactor, a Subaru coupe, and a bottle of Carmel Sauvignon Blanc.

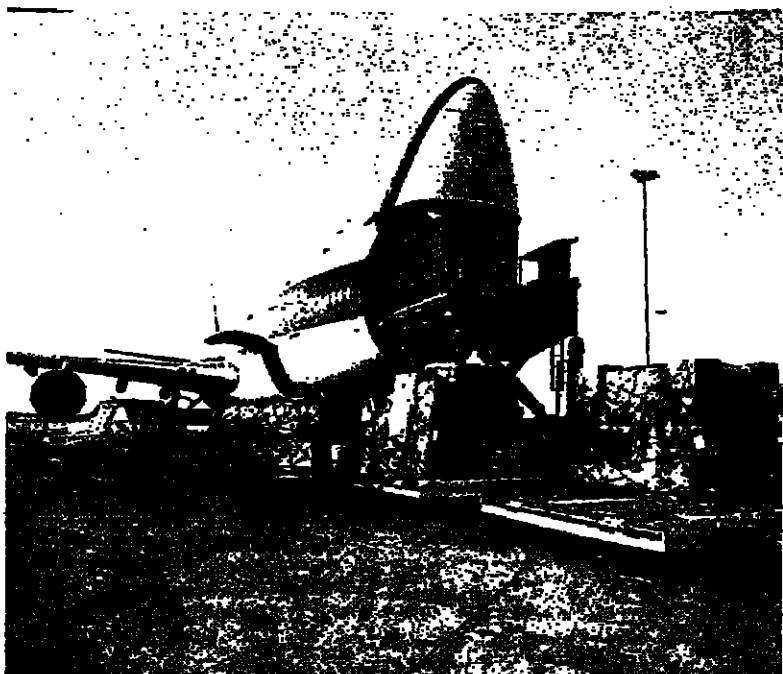
You're supporting the service economy when you get your Subaru repaired, make a deposit at First International Bank or watch *Rambo* on cable television.

Beyond that the picture blurs considerably. Builders are considered to be in the service sector, although their finished product would seem to be a good. Although computer users have been known to throw floppy discs around the office like Frisbees, software houses, which encode those discs also are considered to provide a service. A reporter who works for a newspaper would seem firmly rooted as a provider of goods, but if he moonlights for a wire service, he would enter the sphere of services. And what of the local feta vendor or McDonald's outlet? In the U.S., restaurants are counted as services, but other countries count them as providers of goods.

Those questions aren't merely of academic interest. The service sector provides glimmers of hope for both nations amid burgeoning trade deficits. In 1986, the U.S. trade deficit reached a stunning \$166.3 billion, while the service surplus on its current account was \$22b. For the same year, Israel's net civilian trade deficit ran to \$2.04b, but its invisibles surplus, excluding capital services,

U.S., Israeli negotiators work on innovative trade pact

When it's a good, it's very, very easy; when it's a service, it's horrid



At first blush there would seem to be little cause for confusion between goods and services. Goods, after all, are those things you can touch or at least see: Levi dungarees, a Subaru coupe and a bottle of Carmel Sauvignon Blanc... You're supporting the service economy when you get your Subaru repaired.

totaled \$728 million.

Israeli service exports, excluding financial services, amounted to 28 per cent of total exports last year, according to the Central Bureau of Statistics, and more than 70 per cent of the Israeli work-force was employed in the service sector, including government and finance. Even if all governmental employment is eliminated, more than 40 per cent of Israelis work in the service economy.

In the U.S., once considered an industrial juggernaut, the production of goods accounts for only 35 per cent of gross domestic product, according to one study.

Having laid out these figures, economists are quick to point out that they are notoriously unreliable. The reason is clear to anyone who has ever hired a babysitter, engaged the services of one of Israel's illegal cable television companies or bypassed the local bank and gone to Tel Aviv's Lilienblum Street to change currency. Many services are part of the subterranean, or black, economy and are never reported either to tax officials or statisticians. Unlike textile producers, who require a factory and capital equipment, service workers like house painters theoret-

cally could remain hidden from the government's view indefinitely.

Even for businesses that are completely above board, there is a consensus among economists that statistics on the service economy may be useful for illustrating trends, but little else. Since services are so ephemeral, there is difficulty in tracking the product and assigning value added along its path. Cases in point might be Israeli consultants selling security expertise or U.S. advertising agencies.

The line between the producers of services and goods also becomes easily blurred. When an Israeli textile factory hires a team of janitors to clean the executive suite, those workers are engaged in the production of goods. But should the textile plant use outside contractors, the cleaners remain in the service sector.

This trend to hire outside contractors in services which centre around manufacturing activity has tended to bloat the service sector statistics, some economists say, leading them to conclude that the apparent boom in the service sector of some developed countries is overstated. "There's a debate going on," Sparhawk said. "Some people say that trade in goods is still dominant

and that's where the effort should be."

Despite all the imponderables though, the Reagan administration is betting that an explosion of service exports in coming years will make a dent in the U.S. trade deficit. For that reason, Washington is eager to press ahead in extending the Free Trade Area (FTA) agreement with Israel to the sphere of services. If progress is made with Israel, the reasoning goes, it will pave the way for a wave of international agreements on services.

"Israel is kind of a test case," says Ephraim Davrath, deputy director general for international affairs at the Ministry of Finance. "We're the first country where this type of discussion is taking place. We're sort of a laboratory."

The bilateral FTA agreement signed by the U.S. and Israel two years ago specified that talks be held to extend the agreement from the sphere of goods in the realm of services. So far, three rounds of talks have been held, the most recent coming last month. Meanwhile, the U.S. is negotiating its second FTA pact with Canada. Unlike with Israel, where talks on a goods FTA and a services FTA were held se-

quentially, the U.S.-Canada talks are running in parallel.

A Canadian team led by Simon Reisman and an American delegation led by Peter Murphy are rushing to complete negotiations to meet an October deadline that will allow the FTA agreement to be "fast-tracked" through Congress. For the most part, the talks have been shrouded in secrecy and there's little indication of how the service portion of the negotiations is faring.

But it's clear that Washington is hoping that the momentum of service negotiations with Israel and Canada will carry over to a larger international forum, the General Agreement on Tariffs and Trade (GATT) talks to be held in Uruguay this fall. For the first time, the lowering of barriers on the international flow of services will be at the centre of discussions at the meeting of industrialized GATT members.

With Japan ascendant in electronics, autos and making rapid headway in computers, the U.S. strategy is to press its advantage in the international trade of services. Even now, it's not inconceivable for a Frenchman working at a computer that runs on American-made software to tap into a U.S.-designed database. After work he might book a ticket on Trans World Airlines with his American Express card. Later, he could watch *Rambo III* at a movie house and then dance to a Whitney Houston record at a discotheque. It's even conceivable that he could flout French custom and catch a late-night snack at McDonald's.

But if the U.S. has unmatched clout in the area of services, Israel is no slouch for its size. For one thing, Israel has an asset that even the U.S. can't match, namely being the Holy Land. In the realm of tourism, a country could do worse than be

located in an area that has sites holy to three major faiths. Hoteliers, restaurateurs, tour operators, and car rental agencies can literally count their blessings. Even in 1986, when fears of terrorism caused Americans to stay away in droves, Israel's tourism revenues totalled \$970m.

Other strong service exports for Israel, Davrath says, are engineering, consulting, software and air services. Although financial services aren't on the agenda, Davrath said Israel would welcome the entry of U.S. banks and other financial institutions in the market. If U.S. banks came to Israel, observes Shlomo Kalish, a lecturer at Tel Aviv University's School of Management, consumers would benefit from the efficiencies developed in the highly competitive American market.

Davrath notes that American Express, for example, doesn't have direct representation in Israel. "They used to have an office, but scrapped it because of the Arab boycott," he says. "This is a subject that might be raised along with free trade in services."

Discussions at trade conferences could aptly be described as highly sophisticated horse trading. The prime topics at the Israel-U.S. FTA talks are tourism, telecommunications, insurance and aircraft maintenance.

Americans voice concern about governmental limits on the amount of foreign currency Israelis can carry abroad. Israel, meanwhile, wants the U.S. Federal Aviation Administration to do away with its requirement that American aircraft flying domestic routes be repaired in the U.S. Washington expresses the hope that Israel will crack down on computer users who pirate U.S.-made software. Washington's help is solicited for Israeli insurance companies that have to go through the maze of varying regulations throughout the 50 states.

With no deadline to meet, there's no indication that a service FTA will be signed by Washington and Jerusalem anytime soon.

Meanwhile, though there have been few leaks out of the FTA talks between Washington and Ottawa, sources say that whatever else is decided, Canada is unlikely to abandon its efforts at cultural protectionism. The cultural issue gives an indication of the delicate issues negotiators face in trying to cobble together service trade agreements.

Before the owner of a radio or television station in Canada can broadcast, he must pass muster with the Canadian Radio and Television Commission. That body generally requires that the station use an adequate level of Canadian artists and content. Foreign buyers of newspaper publishing companies, meanwhile, must receive approval from Ottawa.

The reason for what one Canadian called "this cultural nervousness" is the perception that the cultural benefits on the other side of the border might overwhelm its northern neighbour with a sort of creeping Madonnism.

As former Prime Minister Pierre Trudeau said: "It's like a mouse in bed with an elephant."

Predictably, not all Canadians are pleased with the content regulations. Some simply thumb their noses at the bureaucrats and buy satellite dishes to get their fill of U.S. programmes. But that's in keeping with the nature of services: they respect no borders.

CURRENCY MARKETS

Dollar in midst of correction

At the opening of currency trading in the U.S. on Friday, the Commerce Department announced that America's merchandise trade deficit had widened to \$15.71 billion in June — the second-highest figure ever and far above the forecast \$12b gap.

The announcement provoked a short covering of long dollar positions, but by the end of the trading session, the U.S. currency had closed above the day's levels.

In addition, the currency had moved higher throughout the week, reflecting a belief that the U.S. economy was improving. Indeed on Friday, the U.S. wholesale price index edged up a mere 0.2 per cent, indicating inflation would remain low for the foreseeable future. Tension in the Gulf also supported the dollar, which is regarded as safer than European currencies.

The technical picture shows that the U.S. currency has only encountered a technical correction, which does not change even the medium-term trend towards a stronger dollar. The recent strength of the U.S. currency brought it to an over-corrected situation that required some technical correction. This correction may continue in the first trading days of this week, but it will not change the major trend for the dollar, which is currently neutral and will remain so until we see closings below the currency's previous lows.

However, these are not expected. The column appears courtesy of Boaz Barak Advisory Service.

BUSINESS BRIEFS

More price controls are removed

The Ministry of Industry and Trade yesterday removed a wide assortment of goods and services from price controls. Following the move, only 39 per cent of all products remain under supervision.

Controls were lifted yesterday on such goods as light-sensitive film, woven carpets, records, pre-recorded video cassettes, daily newspapers and flour-based products among other things.

Officials said the move was in line with the ministry's policy of gradually removing supervision.

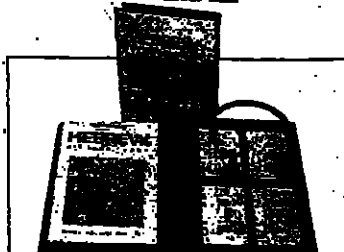
SOLEL BONEH LTD. last week was awarded the contract for construction of the next segment of the Ayalon highway in Tel Aviv, Netivei Ayalon Co., the highway's developer, said. Solel Boneh put in a bid of NIS7.5 million to build the nearly two-kilometre-long portion, from the Halacha bridge to Sderot Rokah.

Work is due to begin September 1 and is expected to be completed in 14 months.

WEST GERMAN TOURISTS will be coming to Eilat this winter in large numbers, thanks to an accord signed between El Al and Neckermann, West Germany's second-largest tourism agency.

El Al said it would be making weekly non-stop flights between Frankfurt and Eilat, beginning November 3 and running until the end of May. The airline said it would use the new Boeing 757 due to join the fleet in November on the route.

CASSETTE BOOK SELF-STUDY COURSE HEBREW AT YOUR EASE



The perfect way to learn the Hebrew language as spoken in Israel today — HEBREW AT YOUR EASE starts with the basic alphabet, progressing step-by-step to increasingly more complex usages of the language.

The set contains: Four 60-minute cassettes, a 272-page illustrated book by Eliezer Tirkel which, together with the cassettes, presents English and Hebrew side by side, and a glossary of about 700 frequently used words. Hebrew at Your Ease is also available in German. Produced by Achiassaf Publishing House Ltd.

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Jerusalem: Karam Avraham, 19 Tzafania, 820950; Batsam, Salah Eddin, 2225; Shu'fat, Shu'fat Road, 810108; Dar Al-Khawa, Herod's Gate, 282088. Tel Aviv: Lev Har, 68 Ahad Har'am, 613882; Kupat Holim Clalit, 7 Amsterdam, 232383. Be'er-Sheva: Kfar Sava: Shuali, A. Yofie, Rafanana. Netanya: Kupat Holim Clalit, 31 Brodsky, 611123. Haifa: Pevsner, 27 Pevsner, 684073.

DUTY HOSPITALS

Jerusalem: Bilur Holim (pediatrics), Hadassah Ein Karem (internal, surgery, orthopedics, ENT), Misgav Ladach (obstetrics), Shalom Zedek (ophthalmology). Tel Aviv: Rolsch (pediatrics, internal, surgery). Netanya: Laniado

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Dial 100 in most parts of the country. In Tiberias dial 924444, Kiryat Shmona 4444.

FIRE 102

In emergencies dial 102. Otherwise, dial number of your local station as given in the front of the phone directory.

FLIGHTS

24-Hour Flight Information Service: Call 03-5712484 (multi-line), Arrivals Only (Taped Message) 03-381111 (20 lines)

FIRST AID 101

Magen David Adom: In emergencies dial 101 in most parts of the country. In addition:

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Ashiton 23333 Kiryat Shmona 34444
Bat Yam 55111 Kiryat Shmona 94434
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Carmiel 96555 Netanya 23333
Dan Region 781111 Petah Tikva 523111
Eilat 72333 Rehovot 461333
Haifa 512233 Rishon LeZion 46333
Holon 936333 Safed 33333
Holon 08133 Tiberias 780111

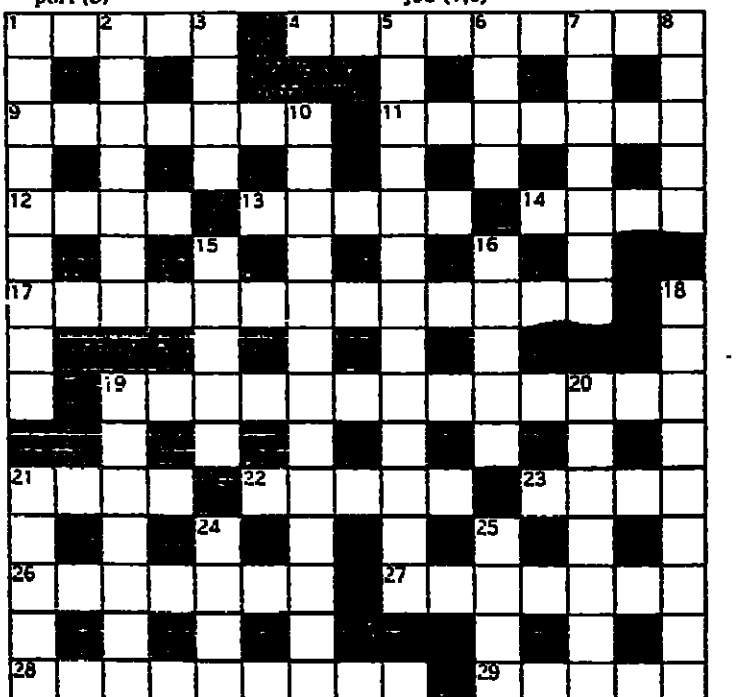
* Mobile Intensive Care Unit (MICU) service in the area, around the clock. Eran — Emotional First Aid. Tel. Jerusalem 227171. Tel Aviv 5461111 (children/youth 03-251155, Haifa 072222, Be'er-Sheva 418111, Netanya 33316). Rape Crisis Centre (24 hours), for help call Tel Aviv, 234815, Jerusalem — 248554, and Haifa 680111. The National Poison Control Centre at Rambam Hospital, phone 040 523235, for emergency calls, 24 hours a day, for information in case of poisoning. Kupat Holim Information Centre Tel. 03-63201, 63800 Sunday/Thursday, 9 a.m. to 8 p.m. Friday 8 a.m. to 3 p.m.

CROSSWORD

- ACROSS
1 Blush when attacked by a bull (5)
2 Bell-tower, temporary accommodation by a river (9)
3 Feature about bridge partners on the move (7)
4 Almond biscuit or liqueur at a fair exchange (7)
5 Green, only 24 hours old (4,9)
6 Unusual sprain and emotion involved in taking someone else's character (13)
7 Plants in the badgers' burrows (4)
8 Rings a king at a Japanese port (5)

- 23 Mythological princess performed with nothing on (4)
24 Swallow one drink (7)
25 Cock finds list with a hole in it (7)
26 In which historians might write (4,5)
27 Having most of the good fortune perhaps concerning money (5)

- DOWN
1 Obtain a board that is accessible (3-2-4)
2 For cooking on a very hot day? (7)
3 Of course it might contain it (4)
4 One who does a marvellous job (7,8)



Yesterday's Solution

STAGEFRIGHT
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QUICK SOLUTION

ACROSS: 1 Poise, 4 Unpen, 10 Madeira, 11 Giddy, 12 Curie, 13 Ishmael, 15 Nero, 17 Glade, 19 Lance, 22 Leon, 25 Oculist, 27 Nymph, 28 Model, 30 Ensnare, 31 Myth, 32 Cyst, DOWN: 2 Order, 3 Stipend, 5 Night, 6 Endemic, 7 Smock, 8 Tapir, 9 Gypsy, 14 Solo, 16 Eels, 18 Laundry, 20 Amnesty, 21 Dogma, 23 Otter, 24 Shrew, 26 Idler, 28 Miami.

QUICK CROSSWORD

- ACROSS
1 Enumerate
4 Fix
8 Up-to-date
9 Evade
10 Skin
11 Pervert
13 Pour
15 Deadly
17 Fleurs-de-lis
20 Take effect
22 Water-fowl
24 Entire range
26 Preclude
27 Disease
28 Baby's outfit
29 Dangerous

- DOWN
1 Fortress
2 Higher
3 Rapid keyboard composition
4 On fire
5 Italian city
6 Inside
7 Lock of hair
12 Send out
14 Italian island
16 Chest of drawers
18 Normal
19 Content
21 Attract
22 Foot-lever
23 Sign of omission
25 Encounters

Eggs-tra! Eggs-tra!

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MARKET PLACE

PINHAS LANDAU

Surprise, Surprise, Surprise

Surprise No. 1 was the shockingly low consumer price index for July published on Friday afternoon. Shockingly low it was, compared with the forecasts that had confidently predicted no less than 1.5 per cent and possibly 2 per cent. This would have triggered a cost-of-living increase with the very next pay cheque.

However, the forecasters this time not only succeeded in getting the direction wrong, they were not even in the right ball park.

The moral of the story, in terms of suitable behaviour in the markets when faced with this level of uncertainty, seems to be to do what we suggested last week - namely to stay on the sidelines, and then jump on the bandwagon when the winning team is announced (if mixing a few metaphors makes the point clearer).

As for the rate of inflation itself, the July figure has dispelled the gloom that settled in after the previous shock, from the June figure, which dispelled the optimism that followed the May figure, and so on.

At the moment the median forecast for the August consumer price index is around 0.7-0.8 per cent. That is what the Treasury and the economics departments of the major banks are talking about. Second-guessing is already rife, and arguments are being produced to explain why the outcome will be either much higher or much lower than this number. For these reasons, the best guess is obviously that the same number now being predicted will be the winning number - not through any inherent merit or because the forecasters have improved, because the random process is likely to stop the spinning wheel this time in the middle of the range, not on the upper or lower extremities thereof.

Surprise No. 2 was the lack of reaction to surprise No. 1 when the markets opened yesterday. The expectation had been that index-linked bonds, which have climbed steadily for weeks, would be hit hard by the dashed expectations and the threat of higher inflation which had fed their rise. In the event, however, prices fell moderately, and volume remained on the lower side of moderate.

Even greater shocks were in store from the share market. The two-sided trading session opened with rises of 3-4 per cent in many issues, and it seemed briefly as though the obvious was indeed going to occur - shares were going to take the opportunity for a good old bash to the upside. Such was not to be the case. In the second and subsequent rounds of trading, these gains were pared, and while the market scored a solid advance over the day, it was nothing to get excited about. So much, in short, for expectations.

But why? Several suggestions have been put forward. One simple one describes the lethargy to the summer doldrums: vacation syndrome, whereby the market is too sluggish to behave properly.

Another view is that bond prices are being supported by institutional buying by provident and pension funds, which are starved of new issues because of the miserly policy of the Treasury and the Bank of Israel in this respect. As a result they have to go to the secondary market to buy cover for their inflow of investments.

Surprise No. 3: After the biggest build-up in history, the government still flunked out over the Lavi, leaving everyone standing like a bunch of lemons. Shamir and Peres are entirely to blame for this, of course, and the only thing they should compete for is to play Hamlet.

The cabinet vote was not such a surprise, though. When it is recalled that these are the same bumbler who, three years ago, sat up all night in a session billed as crucial to the future of the economy, and emerged after raising the price of frozen chicken by 94 per cent, only to reverse that decision within hours, it seems that they were playing true to form.

Housing prices up sharply

By AVI TEMKIN
Post Economic Reporter
After many months in the doldrums the housing market is awakening, at least in the big cities. Figures published on Friday by the Central Bureau of Statistics showed the prices of flats and houses rose in the April-June period some 3.7 per cent on average from the previous three months.

The nationwide average, however, masked large variations in the housing-price rises in different parts of the country. The hikes were marked in the suburbs and outside the metropolitan areas.

Jerusalem led the way, with the prices of flats rising 6.5 per cent in the second quarter of the year from the previous three months. In the

case of large flats of 3 1/2 to four rooms the hike was even more marked, with prices jumping some 18.6 per cent. The price of a small to medium-size flat in the capital rose from NIS 82,533 on average for January-March to NIS 86,503 in April-June.

Flat prices in Tel Aviv did not lag very much behind Jerusalem, increasing 6 per cent in the second quarter of the year. As in Jerusalem, the rise was especially marked in the prices of medium-size to large flats, with 3 1/2 or four rooms. They went up from an average of NIS 141,310 in the first quarter of the year to NIS 167,670 in April-June.

In the Dan region, outside Tel Aviv, however, flat prices rose only 1.6 per cent on average.

Prices for flats in Haifa rose 5.3 per cent in the last quarter, in the Sharon area they climbed by 3.5 per cent and in the central region by 3 per cent.

HOUSING PRICES

	2 1/2-3 rooms	April-June	Change (%)	3 1/2-4 rooms	April-June	Change (%)
Jerusalem	82,533	86,503	4.8	141,310	167,670	18.6
Tel Aviv	82,533	86,503	4.8	141,310	167,670	18.6
Haifa	82,533	86,503	4.8	141,310	167,670	18.6
Sharon	82,533	86,503	4.8	141,310	167,670	18.6
Central	82,533	86,503	4.8	141,310	167,670	18.6
Outside	82,533	86,503	4.8	141,310	167,670	18.6

Histadrut: Wage talks could be completed in 2 weeks

By JEFF BLACK
For The Jerusalem Post
Histadrut leaders said yesterday they still believed there was a chance of reaching a public-sector wage agreement with the Treasury within the next two weeks.

No meeting has been scheduled for this week between Histadrut Secretary-General Yisrael Kessar and Finance Minister Moshe Nisim, but the informal contacts between the labour federation's trade union department head Haim Haberfeld and the Treasury's chief wage negotiator, Hillel Duda, will continue.

Kessar and Haberfeld yesterday

Hotels to be approved enterprises

By JEFF BLACK
For The Jerusalem Post
Investment in hotel improvements and development was granted approved enterprise status yesterday by the directorate of the Ministry of Industry and Trade's Investment Authority.

Oded Shamir, the authority's director, said the aim of this move was to encourage suitable investment in old hotel buildings and rejuvenate them for new needs. According to figures presented to the Investment Authority, the average revenue of hotel rooms declines as the hotel ages.

The decision to grant approved enterprise status to hotels meeting the authority's criteria was taken at the suggestion of the Ministry of Tourism.

Mishkan net up 201.5% in half

Post Economic Staff
Mishkan Mortgage Bank Ltd., a unit of Bank Hapoalim, said net earnings for the half ended June 30 grew 201.5 per cent to NIS3.25 million, representing a 26.3 per cent rate of return on capital on an annualized basis. The home lending bank's pre-tax profit was up 224.7 per cent, to NIS6.77m.

The bank's capital stood at NIS27.9m. at the end of June, compared with NIS24.7m. on December 31, 1986, an increase of 12.9 per cent. Its balance sheet shrank 0.9 per cent to NIS2.268m. at the end of the half.

4 held in car theft

TEL AVIV (Iam). - Four residents of Rafiah and Gaza were remanded in the magistrate's court here on Thursday on suspicion of belonging to a ring which has stolen 500 cars in Israel.

The four are Rahawi Marwan, 24; Iyad Abu Shawih, 36; Daiz Ziad, 30; and Abu Alwaj Ibrahim, 42.

GULF

(Continued from Page One)

In Oman, visiting Iranian Foreign Minister Ali Akbar Velayati discussed tension in the strategic Strait of Hormuz with his Omani counterpart, Youssef Bin Alawi. The two countries share control of the strait.

Tehran Radio quoted Velayati as saying, "If the U.S. intends to endanger our interests, we will firmly stand [up] to it and will defend our interests in the region."

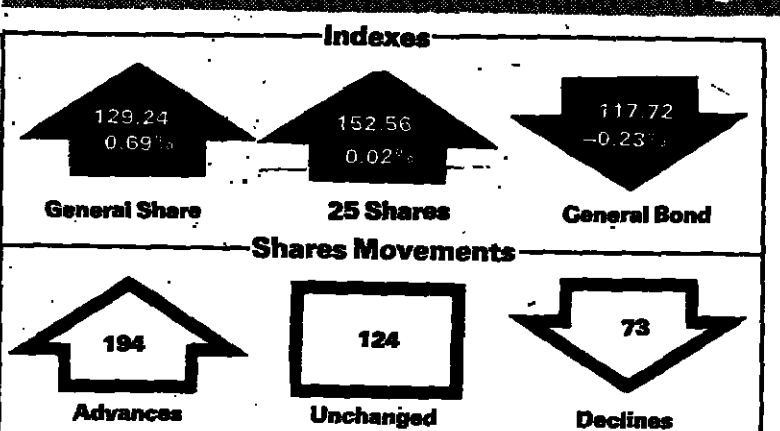
Earlier, President Reagan and Iranian President Ali Khamenei traded warnings on the Gulf. "If America and her allies enter the scene and there is bloodshed, they should know they will not be safe from the repeated blows of our people forever," Khamenei told a rally in Iran.

Reagan, in his weekly radio address, vowed to stand up to Iranian threats: "We have to show that efforts of intimidation, like Iranian threats against Kuwait and other non-belligerent states in the Gulf, do not work," he said.

In a related development, the State Department has ordered its diplomats around the world to take new security precautions after it said Iranian agents were seen checking embassies in several countries to find places vulnerable to attack.

"The Iranian threats to attack embassies is the most serious we have ever seen developing," said a State Department official.

Tel Aviv Stock Exchange



Selected Prices

Name	Price	Volume	NIS	%
Commercial Banks				
Bank Leumi	1810	5471	+5.50	
Bank Hapoalim	1910	233	+2.1	
Bank Mizrahi	1910	387	+3.4	
Commercial Banks (cont.)				
Bank Leumi	1810	5471	+5.50	
Bank Hapoalim	1910	233	+2.1	
Bank Mizrahi	1910	387	+3.4	
Commercial Banks (cont.)				
Bank Leumi	1810	5471	+5.50	
Bank Hapoalim	1910	233	+2.1	
Bank Mizrahi	1910	387	+3.4	

Insurance

Name	Price	Volume	NIS	%
Aviv	1188	96	+3.3	
Meir	780	1807	+8.2	
Meir	780	1807	+8.2	
Meir	780	1807	+8.2	

Trade & Services

Name	Price	Volume	NIS	%
Aviv	1188	96	+3.3	
Meir	780	1807	+8.2	
Meir	780	1807	+8.2	
Meir	780	1807	+8.2	

Real Estate, Building and Agriculture

Name	Price	Volume	NIS	%
Aviv	1188	96	+3.3	
Meir	780	1807	+8.2	
Meir	780	1807	+8.2	
Meir	780	1807	+8.2	

Industrials

Name	Price	Volume	NIS	%
Aviv	1188	96	+3.3	
Meir	780	1807	+8.2	
Meir	780	1807	+8.2	
Meir	780	1807	+8.2	

Abbreviations:

a.s. = sell only b. = buy only c. = both

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'88-model car sales are stalled

By JONATHAN KARP
TEL AVIV. - The car buyers who thought they could beat the crunch by placing early orders for 1988 models are about to become the first victims of the government's indecision on prices.

The new car year officially opened yesterday in Israel, but none of the 3,000 new cars which are expected to arrive here by Friday can be delivered to customers because the Transport and Finance ministries have not agreed on a price list.

"It's a silly situation, brought on by a silly system," Arye Carasso, the Renault importer and head of the Automobile Importers Association, said yesterday, referring to the price controls. The same situation occurred last January when it took the government a few days to devise new prices after a 10 per cent devaluation of the shekel.

Transport Minister Haim Coru recently announced that prices would rise between 5 and 10 per cent, and in some instances higher, depending on the car's country of origin. But despite the fact that the ministries have been negotiating about prices for several months, they have not reached a final plan.

The importers could sell the new models at 1987-model prices, but they are not likely to do so. "If the manufacturing costs of the car went up, we'll lose even more money," Carasso argued. "And if by some chance they went down, we'll be accused of highway robbery."

The importers who have had rocky relations with the Transport and Finance ministries over the last year, are known to want higher prices to reflect the erosion of the shekel.

Israel Money Markets

Shekel Deposits (annual rates)

Bank	Deposit	7 days	14 days	30 days
Last Updated Lowest (August 7)	40-1,000	11.00	10.00	11.00
	1,001-10,000	11.50	10.50	11.50
	10,001-100,000	12.00	11.00	12.00
	100,001-100,000	12.50	11.50	12.50
Hapoalim (July 22)	10,001-500,000	12.00	11.50	12.50
	500,001-1,000,000	12.50	11.50	13.00
	1,000,001-5,000,000	13.00	12.00	13.50
	5,000,001-10,000,000	13.50	12.50	14.00
Discount (August 5)	10,000-49,999	12.00	12.00	12.25
	50,000-99,999	12.50	12.50	12.75
	100,000-499,999	13.00	13.00	13.25
	500,000-999,999	13.50	13.50	13.75
Mizrahi	1,000,000-4,999,999	14.00	14.00	14.25
	5,000,000-999,999	14.50	14.50	14.75
	1,000,000-4,999,999	15.00	15.00	15.25
	5,000,000-999,999	15.50	15.50	15.75
First last (August 10)	500,000-999,999	16.00	16.00	16.25
	1,000,000-4,999,999	16.50	16.50	16.75
	5,000,000-999,999	17.00	17.00	17.25
	10,000,000-49,999,999	17.50	17.50	17.75

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Time aplenty

SOME LOCAL soothsayers predicted that what had been billed as the government's final, decision-making session on the Lavi would only produce still another postponement. The prediction seemed too wild to rate as even a good joke, after two months of Sundays given to ministerial weighing of the merits and demerits of the Lavi. But it turned out to be correct.

Worse even than the fresh confirmation of the cabinet's ineradicable attachment to footdragging as method for problem solving, was the argument put forward to justify the "two-week" delay in reaching a finally truly final decision.

The cabinet, both the prime minister and the vice premier argued in unison, was evenly split between supporters and opponents of the project, so that a break was needed for further study. That, to put no finer point to it, was a brazen and palpable falsehood. For had a vote been taken yesterday on the joint proposal by the ministers of defence and finance to scrap the Lavi, and ended in a deadlock, the proposal would simply have been defeated, as both Yitzhak Shamir and Shimon Peres wished might happen.

A previous government decision to continue with the project would have remained in force, and the flying machine would have been saved.

The reason Mr. Shamir and Mr. Peres, one speaking for his party and the other not, pushed for the delay was all too plainly the fact that the Lavi's opponents had the upper hand before the vote, and that voting on the Rabin-Nissim proposal would only have demonstrated it beyond the shadow of a doubt.

Fortunately it is now summer vacation time in Israel Aircraft Industries, so that the roughly one million dollars that is spent daily on the Lavi will not be spent during the coming fortnight, while the nation breathlessly waits for the cabinet's reconvening on the subject. But this is scarcely a consolation for the delay itself.

In Mr. Shamir's case there is at least no mystery about his motives. They are fundamentally the same as those of his fellow Herut ministers who have lined up, to a man, behind the Lavi. The Lavi is Herut's political baby, and its fatherhood was freshly declared not long ago when the Herut convention unanimously called for completion of the project, no matter what.

The puzzle is Mr. Peres. Labour's leader is a great believer in national salvation through high technology. He has a rightful claim to IAI's fatherhood. But he must surely be aware, as nearly all his ministerial party colleagues are, that while a potentially great plane, the Lavi is much too big for Israel's breeches and would be available much too late to effectively meet Israel's military needs.

Mr. Peres has helped neither himself nor his party making the bizarre suggestion that, if necessary, Israelis agree to lower their standard of living to allow the Lavi, a weapon highly appreciated but on balance unwanted by the defence establishment, to soar. Planes cannot be built by rhetoric. If he means new and special taxes he should say so and brave the gauntlet of the Treasury, Bank of Israel, et al.

A cheerful note

THE LOW RISE in the cost-of-living index for the month of July - a mere 0.2 per cent - was a pleasant surprise when it was revealed last Friday. But celebration would be premature.

What remains a cause of worry is the rate of inflation since the beginning of the year. Totalling 8.8 per cent, the rate has been the same as it was during the corresponding period in 1986. This is nothing to shout about. If the trend is not checked the economy will wind up with a 20 per cent inflation rate for 1987, again the same as last year.

Treading water in the fight on inflation spells not progress but retreat. If it does not stop, it could in short order result in renewed inflation.

Such a result is not inevitable if the right policies are pursued. The wholesale price index of industrial products and services rose by 12.5 per cent during the first seven months of the year, following the 10.7 devaluation against the "basket" of currencies in January. But if the government keeps a tight rein on the budget and controls wage levels, there will be no further need for devaluation in the coming months.

Interest rates will then slide down, the rate of inflation will actually be reduced and economic activity might at long last pick up.

One condition for success in carrying out such an anti-inflationary programme is that the government go slow in removing price controls. The reason is not only that the Histadrut has made it a prime condition of its cooperation in holding the wage line. More importantly, this is how even a government not committed ideologically to economic intervention would have to behave at such a time in a small economy as highly monopolized as Israel's.

CABINET

(Continued from Page One)

Education Minister Yitzhak Navon: We cannot expect the IDF to pay for the Lavi when it holds that it's more urgent to develop the weaponry of the next generation.

Economics Minister Ya'acobi: Both the Finance and the Defence Ministries have thoroughly analyzed the implications of continuing the project, and of stopping it, and they deserve our support.

Minister-without-Portfolio Peretz: We can no more tell the IDF which weapons to use in time of war than the Children of Israel could tell David what to do against Goliath.

Minister-without-Portfolio Moshe Arens: We are not here to choose between the Lavi and the weapons systems of tomorrow, but between the Lavi and the F-16 fighter plane.

Minister-without-Portfolio Ezer Weizman: There's no way we can scrape together another \$150m. for the defence budget, so the sensible course is to hold the vote today.

Finance Minister Nissim: We can't increase taxes again after reducing them, because the economy must return to growth after stagnation. We can't raise loans, voluntary or compulsory, and just forget that they have to be repaid. You must grasp, as I did, that the proposal to scrap the Lavi is not just a matter of bookkeeping.

There is concern at the Treasury that neither Shamir nor Peres will let the Lavi die, and that heavy pressure

will be brought on other ministers to agree to the continuation of the project. If the majority of ministers continue to oppose the project, there is no guarantee that a vote will take place in two weeks, the Treasury men said.

The Finance Ministry will be on the watch in the coming fortnight, trying to prevent IAI from signing any new contract on the Lavi. Ministry officials said yesterday that IAI has no mandate or funds left to sign any contract in the coming weeks.

Jeff Black adds: The Ministry of Industry and Trade said yesterday that the cancellation of the Lavi would lead to 5,700 workers losing their jobs if alternative projects were not instituted.

According to an internal survey conducted by the ministry, 5,100 IAI workers will lose their jobs and 600 people working for the project's sub-contractors will be out of work if the plane is scrapped.

David Brodet, the ministry's deputy-director-general and the head of its economic planning division, said that if the government scrapped the fighter but initiated new defence projects, the number of dismissals would be reduced to 2,000.

If the project continues, 1,500 workers will become redundant when the project's development stage ends in four years' time, according to the ministry survey.

Let the Americans have a share

Zalman Shoval

SINCE the Six Day War, U.S. aid to Israel has increased a thousandfold, from \$3 million in 1966 to \$3 billion in 1987!

Aid payments swelled especially after the Yom Kippur War, and after that, because of the fumbling way the Israel government dealt with the economic and financial aspects of Camp David. (One of the reasons for our huge annual interest payments is that though the Egyptian-Israeli peace-agreement was primarily a major achievement for America's strategic and political interests, Israel was not fully compensated for the immense financial burden incurred in relocating her military and civilian installations from Sinai - and what she did get was mostly high-interest loans.) The U.S. probably recognized this when she granted us the very generous emergency-aid "life-saver," amounting to \$1.5 billion, without which we would not have been able to stabilize our failing economy.

For the coming year, the aid package stands at \$3 billion (though, because of the erosion of the dollar, in real terms total aid will be less). However, the question which now arises is:

Can aid of such magnitude continue - and no less important, should it continue?

Let's look at it first from the American angle. Both Congress and the Administration want a balanced budget by 1991, meaning that foreign aid must also be cut. From a peak of \$20.2 billion in 1985, total aid is already down to \$12.9 billion. Israel's (and Egypt's) unchanged share of the total package is now proportionally larger than before - with all the political and psychological implications this augurs.

However, there is a certain amount of distortion in the above data relating to Israel - not only because of some of the "quid" which Israel has given in return for the "quid," mainly in intelligence and related activities - but especially if we place American military support to Israel side by side with that extended to other countries. Nato countries, for instance, every year receive upwards of \$100 billion (according to one calculation, \$160 billion), and Japan's and South Korea's defences are subsidized to the tune of \$40 billion.

There exists, however, one significant difference: While all these enormous amounts relating to Nato and the Far East are part and parcel of America's own defence budget, military aid to Israel (and Egypt) comes under the heading of "foreign aid." In other words, while military aid to other allies figures as an integral part of the total American global defence effort - the part directly pertaining to the defence of one of the world's most crucial areas, the Middle East, is treated as a separate item altogether. Although some experts, including our former economic minister to Washington, Dan Halperin, believe that for reasons of Congressional expediency the present situation in this respect is all for the better, the question merits serious re-examination, as the present singling-out of Israel could in the future have a negative impact on

U.S. public opinion, especially if America's own balance of payments situation should continue to slip.

LET US now turn to what the exaggerated reliance on American aid may mean for Israel. The many positive aspects are self-evident, but what about the negative effects? "Yes, indeed, we are becoming politically much too dependent on Washington," is the pat reply one often gets to this question. Although it would be foolish to ignore some of the more unpalatable manifestations of U.S. interference in Israel's internal affairs, it is not the purely political aspects I am particularly concerned with at the moment, but rather the moral ones.

Though it is generally accepted that Israel is one of the few cases where U.S. aid has not led to corruption in high circles, it may have had a corruptive influence of a different character, perhaps more harmful in the long run. Thus it is not so much Israel's formal independence which is in jeopardy, but rather our spirit of independence that has been sapped by our over-reliance on outside aid.

Where is that trait of spirited Israeli self-reliance and enterprise? What has happened to the feeling that, "whatever happens, we can overcome?" Well, it is still there - but to a far lesser degree than before.

What has been demolished is our individual and collective sense of sound economic behaviour - as a consequence of which ordinary citizens, but especially public officials, seem to have become totally oblivious of the need to bring expenditure in line with available resources. In other words, our ability to draw on our seemingly inexhaustible "overdraft" in Washington, may have created a dangerously false perception that what is really important is not what we do to help ourselves, but rather what others can do to help us.

It is this mentality which is at the root of the idea of introducing a five-day work week, starting with the public sector, just as it was responsible for some practically bankrupt moshavim in Galilee providing their members with new cars and unneeded tractors. It was also true of the way the Beit Shemesh engine plant was run, accumulating losses of \$100 million without anybody giving a damn - just as it may, unfortunately, be true of the Lavi - and indeed of many activities financed by the government budget.

This lack of sense of proportion applies, of course, also to the thousands of ostentatious bar mitzvahs and wedding parties thrown by people who later claim not to be able "to finish the month." And why not? After all, so many of us seem to feel that someone will always foot the bill.

What has all this to do with American aid? Well, at least in the minds of many Israelis, not excluding politicians and bureaucrats, that "someone" is usually Uncle Sam. (That this is not really so, is irrelevant, it is the perception which

does all the harm.)

This, by the way, may be one of the main causes of *yerida*. Not only are we exposed wherever we go to gimmicks aggressively pushing goods and services which are purported to be "just like in America," but when this takes place in an atmosphere of "we are in any case living on American dole," it is small wonder that some Israelis say to themselves: "If so, let's live in the real America - and not in an imitation of it."

I HAVE dwelt at length on some of the moral and sociological components of a basically economic problem. We shall now turn to the hard facts of the economic situation itself. It must be emphasized that the prospect of achieving economic independence (not to be confused with economic autarchy, which is neither achievable nor advisable) and prosperity will depend mainly on our own endeavours. This applies to such subjects as changing the lop-sided structure of our economy (mainly the much too large public sector vis-a-vis the business sector) and getting rid of some of the cumbersome and meddling bureaucracy (which by most accounts, is one of the main impediments to greater foreign involvement in Israel's economy - as well as being a further major cause of *yerida*).

But we shall also have to continue to tackle such questions as our anti-incentive tax-structure, (especially with regard to work-related taxation), the reform of capital markets, a more sensible allocation of resources, increasing our efficiency, etc. Regarding the prospects of renewing economic growth, suffice it to quote one top economist, who recently stated that "growth is bound to occur... if only the government interferes less."

But even all this will not be - unless something is done soon about Israel's huge debt mountain - both external and internal - and the resultant interest payments. On the servicing of its external debt of about \$25.5 billion, Israel will pay this year a net amount of \$1.6 billion - more than half the entire aid package we receive from the Americans - and totalling about 6.4 per cent of gross national product (a high proportion even by Latin-American standards).

The textbook (and basically correct) solution to an over-sized public debt is increasing taxation and cutting down on public consumption. This, indeed, is what former finance minister Yigael Huriwitz did when he more or less rescued Israel from a serious balance of payments problem during the oil-price crisis in 1980.

But in Israel's case there obviously are limitations to "belt-tightening" - and, furthermore, even if we (as we must) succeed in reducing our admittedly much too high civilian expenditure, there will still be our huge defence outlay, representing about one quarter of the GNP. The dilemma is not new - already 20 years ago the late Moshe Dayan spoke about "two flags" (i.e. security - and all the "non-military" rest) competing for Israel's limited resources.

There certainly are no quick and easy solutions. Some believe that the answer lies in reducing the size of the army and in relying exclusively on unconventional weapons. It is probably true that our technological and scientific advantage (provided we do not squander it) will enable us in future to live with a somewhat smaller IDF. But, taking into account international and regional realities, I would suggest that we should not be guided solely by this line of thought.

Some hold that peace with our neighbours will bring about an immediate cut in defence spending, but also such additional bonuses as increased trade, tourism, etc. I do not wish to pour cold water on anybody's dreams, but even if by some miracle peace with all our neighbours (including Syria) should materialize overnight, this does definitely not mean that we would be able to significantly reduce the cost of our defence for many years to come.

Even peace with Egypt and the resultant re-deployment of forces and installations from Sinai, beneficial as these may have been from other points of view, did not help us a great deal in this respect; with regard to our eastern border, were we to withdraw from the Samarian mountain tops, or from some of the other strategic spots in the "territories," the sums we would have to spend annually in connection with re-deploying troops and equipment along the Green Line would be quite prohibitive compared with the present situation.

In this respect, the slogan "peace is security" is, unfortunately, misleading. In fact it is the other way around - peace being dependent on Israel's continual military and strategic superiority.

One obvious economic conclusion from all this is the need to make a much greater effort than hitherto to increase our total national product - so that the share allocated to defence spending will become proportionally smaller. No less important, however, is that the U.S. will in future shoulder a bigger share of the *military* costs predicted by Israel's being America's major strategic ally in this part of the world.

ON THE other hand, Israel should give serious thought, soon, to do without the civilian aid she gets from the U.S. (\$1.2 billion this year alone). Actually, we could have made ends meet (excluding defence) already some time ago, had we adopted all the corrective steps necessitated by the economic near-catastrophe of a few years ago. This has not yet happened though, at least, we have succeeded, with a lot of outside help (and some good luck)

I refer to the PEF Israel Endowment Funds Inc., which last year distributed over nine million dollars to over 500 educational, religious, cultural, health and social service organizations, most of which receive no funds from the UJA or the Jewish Agency. Now in its 65th year, this fund was originally founded by distinguished American Zionists in 1922 (Brandeis, Wise, Mack, Zsold, etc.) and it has transmitted over 72 million dollars to Israel with no fund-raising or other costs because of its endowment for these purposes.

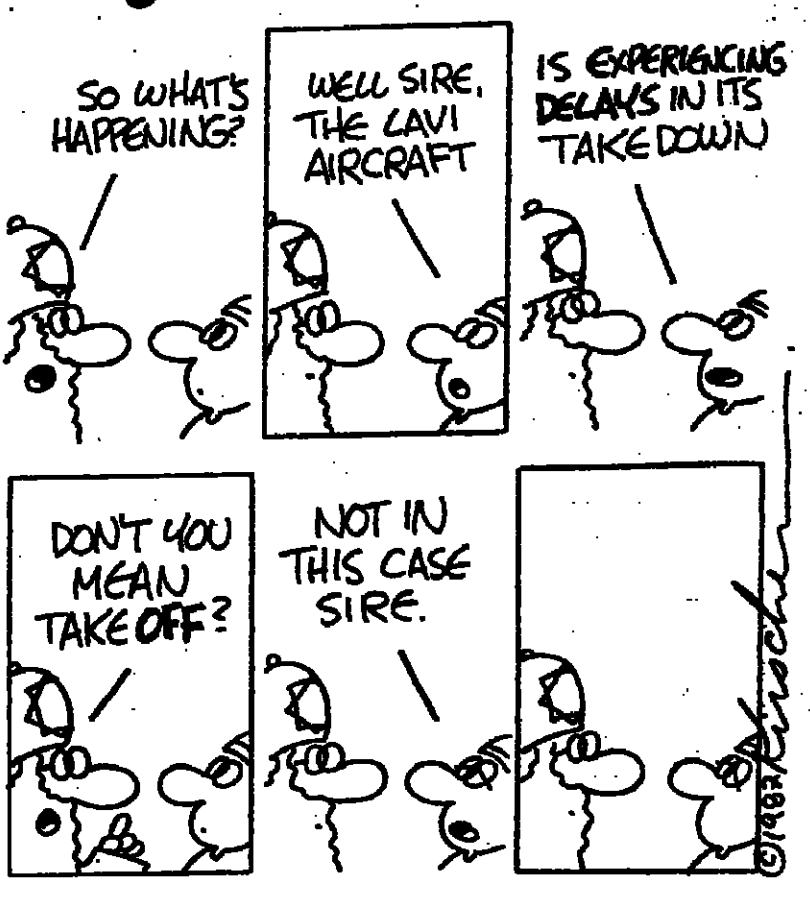
RALPH M. KRAMER
Jerusalem.

of the mikve, lest the waters be contaminated, that they are forced to turn to other options within the Halacha.

I am also pained by the innuendo that, according to Rabbi Polin, those Jews who have "moved away from Orthodoxy" can so easily be equated with "the early Christians, who adopted a non-halachic conversion procedure." This unkind accusation will never bring the desired goal of unity in the camp of world Jewry.

Rabbi SAUL TEPLITZ,
Past President,
The Rabbinical Assembly
Jerusalem (Woodmere, N.Y.).

Dry Bones



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